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# China Report

ECONOMIC AFFAIRS

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7 February 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC JOURNAL EXAMINES ROLE OF MONEY SUPPLY

HK070434 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 11, 20 Nov 85 pp 41-45

[Article by Yu Hongren [2496 1347 0088] of the Finance, Trade, and Economics Institute of the Chinese Academy of Social Sciences: "Control the Money Supply and Enliven Credit"]

[Text] Control of the Money Supply is the Key to Macroeconomic Control by the Banks

The socialist economy is a planned commodity economy. One of its important hallmarks is that the state can consciously exercise macroeconomic control over the state economy. The primary aim of macroeconomic control is to maintain a balance between total social demand and supply through price, and to use the magnitude of value to maintain a basic unity between the variety of goods supplied and the needs of society. The achievement of this aim can assure the planned, proportionate, and coordinated development of the national economy. This article will concentrate on investigating the issue of the role of the money supply in balancing total social supply and demand in terms of the magnitude of value.

The balance between social supply and demand may be achieved from two angles: increasing supply, or controlling demand. Under conditions of a fixed rate of production growth and commodity supply growth, the proper control of social demand is extremely important to the achievement of an overall balance between total social supply and demand. Total social demand is made up of three factors: enterprises' financial expenditures, state financial expenditures, and bank credit expenditures. In general, the social demand created by an enterprise's financial expenditures is balanced out by social supply in the magnitude of value, because an enterprise will have only as much spending power as it creates in income for itself by creating products for society. Public financial expenditures and bank credit expenditures, on the other hand, are different. Their balance or otherwise with income has a great effect on the balance between social supply and demand. If there is a public financial deficit, or if credit deficits are too big, and exceed the requirements of economic development, too much money will be in circulation, too much social spending power created, and social demand will become inflated. Therefore in order to control total social demand and make it balance with social supply, it is necessary to eliminate the financial deficit and excessive credit.

In China, enterprise income and expenditures, state revenues and expenditures, a bank credit income and expenditures, are all supported and formed by the money supply, and the circulation produced by all of their income and expenditure activities must go through the banks. Therefore, by gaining control of the bank "door," and controlling money circulation, it is possible to control total social demand. Under conditions of a fixed rate of money circulation (the quantity of money in circulation dictates the size of total social demand.) Essentially, then, the control of the amount of money in circulation constitutes controlling the total social demand, and is an important way of effecting a balance between social supply and demand.

Under China's present financial system, public financial income and expenditures and credit income and expenditures are intimately linked. If financial income and expenditures are unbalanced, this may directly or indirectly affect credit income and expenditures. If there is a deficit in public finance, the state will borrow directly from the bank, and if the bank continues to maintain its previous scale of credit, if it neither reduces loans to enterprises, nor increases deposits, it must necessarily increase its credit deficit, and will ultimately be forced to increase the money supply. If public finance issues treasury bonds to make up for its financial deficit, it will indirectly influence credit income and expenditures, because the buyers of treasury bonds are mainly enterprises and citizens; if enterprises buy treasury bonds, they will reduce their deposits, and similarly if citizens buy such bonds they will reduce the rate at which their deposits increase. All of this will expand the credit deficit, and will still lead to enforced currency issuance. The issuance of more money, meanwhile, will by no means increase goods and materials; it will only make the quantity of money in circulation inconsistent with the need for commodity circulation, create a situation in which total social demand exceeds total social supply, and therefore lead to chaos in economic life, which will have an unbeneficial effect on the growth of the national economy. Therefore, the question of how to control and regulate the amount of money in circulation and the money supply is the key question in how banks are to control the macroeconomy.

The volume of money in circulation includes both the cash in circulation on the market and current account deposits which may be transferred. In line with this, the amount of money invested or loaned (normally referred to as the money supply) also includes two parts, cash and deposits. The proper control of the money supply will enable us to control and regulate the amount of money in circulation, and thereby control social demand. Therefore, the control of the money supply represents the central substance of macroeconomic control by the banks, and is an important issue affecting the overall economic situation.

How are we to control the money supply properly? One view is to use the method of controlling the issue of cash to control the scale of credit, and thereby control the money supply. This view is established on the basis of an unchanging rate of cash circulation, and relatively stable cash-loan ratio. If these conditions do not exist, it is difficult to maintain this particular view. In the current economic system reform, the rate of cash circulation changes considerably, and the amount of cash in the total volume of loans is

also unstable. For example, during the 1960's and 1970's, cash amounted to around 11 to 13 percent of loans, but by 1984 this figure had increased to 17 percent. Under conditions in which cash circulation slows down, cash increases as a proportion of loans, and deposits decrease compared to loans, if the issue of cash is controlled at the same rate, there must be a commensurate reduction in the scale of credits and money supply, and this will not be in line with the normal needs of national economic growth. Conversely, when cash circulation speeds up, cash drops as a proportion of loans, and deposits rise in relation to loans, if cash continues to be issued at the same rate as before, this may lead to an expansion in the scale of credits, and an excessive increase in the money supply. It is currently unfeasible to use control of cash issuance to control the money supply.

Another proposal is to use the method of controlling credits to control the money supply. What we mean here by credit control is not only control by the central bank over the increase in loans to specialized banks, but also the control by specialized banks over loans to enterprises; that is, control of the credit margin. In my opinion, the method of using control of the loan margins by specialized banks to control the scale of credit is like "giving up eating for fear of choking," that is, failing to do something necessary for fear of a slight risk. When the specialized banks' loan margin (or loan increase figure) reaches the control figure, though there are still deposit sources, they cannot give any more loans even if there are more deposits. If this is the case, credits may become too rigid, and consequently the economy will do the same. This does not help the banks play their role in promoting economic development, and may lead to certain side effects. For example, though the economic results of a certain enterprise's production are good, since it lacks the necessary support from loans, it cannot buy the raw materials it needs for expanded reproduction; again, the products of a certain enterprise may not be able to be sold because the purchasing units lack the funds to buy them, which will in turn effect the smooth operation of expanded reproduction. Tightness of funds may also mean that bank loans are not paid back on schedule. Moreover, the control of the loan margin will not necessarily bring the issue of cash under control, because after bank loans are transformed into enterprise deposits, the enterprises may realize expenditure by transferring accounts, or may take cash to use as wage payments and carry out other purchases. Deposits and cash are mutually transferable, and if the ratio of cash increases, the same amount of loans will require more cash expenditures. Therefore, loan margin control as a method of controlling the scale of credits and thereby controlling the money supply is not all that good either.

#### Means of Control and Paths to Enlivenment

To control the money supply properly, it is first necessary to solve the problem of guiding thinking on monetary policy. Should we promote economic development through an inflationary policy, or maintain the principle of a stable currency and economic development? These are the two choices in monetary policy. Printing money to carry out construction is not a good method. It can only overstretch the capital construction frontline, and



reduce economic returns on investment. If you try to stimulate production by issuing money, though at first production rates will increase, eventually, due to an imbalance between social demand and supply, and a loss of coordination in the national economy, the speed of growth will decrease. Moreover, as soon as inflation goes out of control, it can have all sorts of bad effects on national economic growth, and has no advantage to the state or the people. Therefore, it is necessary to uphold a policy of a stable currency. According to the law of money circulation put forward by Marx, the amount of money in circulation can only be decided by the needs of commodity circulation. That is to say, the amount by which the money supply is increased within a certain period of time should be decided according to the growth rate of commodity circulation throughout society, in combination with factors such as changes in the rate of money circulation. This is the theoretical basis for money supply control, and for the control and regulation of money circulation.

Under the guidance of the above thinking, control may be exercised over the money supply by the following means.

First, controlling the money supply by means of plans. The right to issue money (that is, cash), belongs only to the central authorities. The state draws up a plan for money issuance based on the needs of national economic development, and following authorization by the NPC Standing Committee, gives it to the central bank to carry out. Under no circumstances can the plan be exceeded. If, due to relatively big changes in the state of the national economy (such as a slowdown in the rate of cash circulation, a rise in the proportion of cash loans, and so on), there is a need to readjust currency issuance plans, the reasons for this must be explained to the NPC the approval sought. According to the principle of taking currency circulation as the base, and of currency issuance dictating bank credit, after the currency issuance plan has been determined, the amount of currency to be issued may be taken as credit funds as a source of drawing up a credit plan, and used to define the growth rate of loans given by the central bank to the specialized banks in each budget year. This is the money supply we must control. Following this, the credit plans drawn up by the various specialized banks will be combined and an overall balance achieved, so that the credit margin of each bank may be decided upon and on this basis the central bank will give out loans to the specialized banks. The amount of loans given out by the central bank in its yearly plans (or the money supply) forms a mandatory figure, which must be strictly controlled and exceeded; the credit margins of the various specialized banks in each planning year also represent mandatory quotas, and the specialized banks must act within the scope of this credit margin. Their credit income and expenditure activities must balance themselves, and they must not exceed the credit margin at will, or demand more loans from the central bank. Only by eliminating the phenomenon of the specialized banks arbitrarily demanding loans from the central bank and eating out of the "big pot" of central bank funds can we ensure that the central bank's loan plan is not exceeded, that the central bank's loan figure is controlled, that the money supply is similarly controlled, and that total social supply and demand are also brought under control.

Second, controlling the money supply from the point of view of the supply of credit funds, through the use of reserve fund methods. In China, reserve funds have the dual function of regulating credit funds and controlling the scale of credit. If not enough reserve funds are being withdrawn, and the scale of specialized bank credit expands, then once it becomes impossible to ensure the demand for funds arising from withdrawal of deposits, there will be a pressing demand for more loans from the central bank, and the money supply will increase. Conversely, if too many reserve funds are withdrawn and the scale of specialized bank credit is too small, it is impossible to satisfy the needs of economic development. Therefore, the central bank should, in the light of the state of national economic development, of currency circulation, and of supply and demand of market funds, promptly raise or lower the ratio between withdrawal and deposit of reserve funds (the deposit reserve rate), readjust the credit scale of specialised banks, and thereby control and regulate the money supply.

Third, controlling the money supply through the use of interest rates to reduce demand for loans. Once the circulating funds of state enterprises are managed in a unified way by the central bank, there is a great pressure of demand from the enterprises for bank loans, a pressure which is increased by administrative interference. If this problem is not properly solved, it will be very difficult to control the credit margin, and therefore difficult to control the money supply. By raising interest rates on loans, it is possible to reduce the demand for loans, and therefore reduce pressure on the national bank from loan demands. This will produce better results than simply using credit methods. The latter course of action often makes it difficult to solve the contradiction between banks and enterprises on the question of whether to give loans or how much to give. Of course, when using interest rate methods, it is still necessary to adopt the appropriate measures from the point of view of finance and taxes. For example, an enterprise's expenditures on interest should not be calculated as part of its costs, but as expenditure of after-tax profits, because the source of interest is in surplus commodity value. In this way, it is possible to link expenditures on interest closely with an enterprise's economic results, and is therefore conducive to the improvement of enterprise management, the speeding up of fund circulation, and the reduction of loan demands. Again, in the sphere of taxes, tax exemption or preferential tax treatment of rural enterprises and collective enterprises should be reduced or even eliminated; otherwise, even though once the interest on loans is raised and interest expenditures will become a more significant part of profits, some enterprises with bad economic results will gain great advantages from tax exemption or preference, and will therefore still be willing to carry on production through more loans. This in turn will weaken the function of interest methods in reducing the demand for loans, reducing the scale of credit, and controlling the money supply.

Generally speaking, the above methods consist of mainly using the control of the central bank loans, that is, the control of the credit margin, in coordination with readjustment of the reserve rate and loan interest rate, to control the scale of credits, and thereby achieve the goal of controlling the money supply.



On the premise of controlling the money supply, we must enliven credit, and the way to do this is to genuinely make the specialized banks into relatively autonomous economic entities, making them more like enterprises which enjoy autonomy over credit business. As long as the specialized banks do not exceed the credit margin figure, and do not demand more loans from the central banks, the more loans they are paid back, and the more deposits they take, the more loans they may be permitted to give out. Only in this way can credit be opened up and enlivened, and only in this way can we better support the development of production and circulation.

Can an increase in deposits and loans increase the money supply? There are three main sources for specialized banks to organize deposits: Financial deposits (handed over to the central bank entirely in the form of reserve funds), enterprise deposits, and savings deposits by individual citizens. If a bank uses enterprise deposits as a source of credit funds to issue as loans, it is turning the purchasing power of the depositing enterprise into a loan for enterprise use; if a bank uses savings deposits as a source of credit funds to issue as loans, it is turning the purchasing power of citizens into loans for enterprise use and turning consumer funds into production funds. All of this is conducive to the promotion of production growth and the supply of more commodities and the withdrawal of currency. Therefore, if banks take more deposits and give out more loans, and use deposits from enterprises and citizens to issue loans, they are essentially concentrating funds and currency already in existence in society, solving temporary demands for funds, balancing out surpluses and shortages of funds between enterprises, and readjusting the structure of social fund use. As long as the specialized banks are able to ensure that deposits may be withdrawn at any time, and that they will not exceed the credit margin or demand more loans from the central bank, then the money supply cannot increase, and total social demand cannot expand, nor can the balance between total social demand and supply be affected.

Of course, at the same time as enlivening credit, the specialized banks must maintain credit policies, principles, and measures, and take into account the social and economic results of loans. In the issue of loans they should have full autonomy and not be subject to any administrative interference; and the phenomenon of enterprises eating out of the banks' "big pot" should be overcome.

#### The Correct Handling of Relations Between the Central and Specialized Banks

In order to control the money supply and enliven credit, it is necessary also to properly handle the relations between the central and specialized banks, and make organizational guarantees of this in the banking system. As the central bank, the Bank of China is the state organ through which the State Council leads and manages the business of finance throughout the country. Its most basic functions are as follows: 1) The unified formation of the strategy, principles, policies, rules, plans, and basic system for financial development, and the supervision of their implementation by specialized banks; 2) unified management of currency issuance, regulation of money circulation,

and maintenance of the stability of currency value; and 3) unified management of credit funds, control of the scale of credit, regulation of the surplus or lack of specialized bank funds, and the coordination of business activities between specialized banks. Through these functions, it achieves macroeconomic control over finances, and control over the money supply. The specialized banks are relatively independent financial enterprises, and on the premise of following the financial policies, principles, laws, plans, and system drawn up by the central bank, they independently and autonomously organize deposits, issue loans, and carry out accounting, and have the right to adopt varied forms to open up business activities, and to use their own credit funds. The exercise of the functions and rights of the specialized banks represents the guarantee for enlivening credit.

The relationship between the central bank as a financial management organ and the specialized banks as financial enterprises is not one of commander and subordinate, but the specialized banks must accept the management of the central bank. In business, the specialized banks must accept the leadership of the central bank, while the central bank must in turn give the specialized banks autonomous management rights. This relationship is expressed mainly in the following aspects:

1. Macroeconomic finance control. The central bank has strong powers over finance, and this power is expressed in two aspects: 1) Policy management. The central bank, as a representative of the State Council, draws up financial principles, policies, laws, and systems, and following authorization by the State Council, organizes their implementation, and supervises and examines the way in which they are implemented by the specialized banks. On condition that they obey these principles, policies, and laws, the central banks may carry out management activities autonomously. 2) Plan management. In light of the state of national economic development, the central bank combines the credit and fund plans submitted to it by all levels, carries out overall balancing, and draws up state credit plans and plans for income and expenditure of funds. Following authorization by the State Council, these are carried out, and quotas like bank credit margins are implemented as mandatory plans. Other quotas represent guiding plans, and banks at all levels must use them as reference. The credit margin quota represents the quota for central bank loans to specialized banks, has an effect on the scale of credit, and directly effects the banks' money supply; it must be strictly controlled, and the specialized banks cannot exceed it at will; we must overcome the situation in which the central bank is hard pushed to balance its books. On the premise of ensuring that the credit margin will not be exceeded, the central bank should not interfere too much in the credit activities of the specialized banks, neither should it control the loan margins of these banks. If they accept more deposits they should be able to issue more loans, enabling them to enliven credit activities. Of course, it is permissible to exercise the appropriate control over certain loans, such as loans for fixed assets and technological transformation, according to the state of national economic growth.

2. Credit fund management and regulation. As the center for control and regulation of credit funds, the central bank may use the form of withdrawing reserve funds to concentrate a certain amount of funds in its own hands, these funds, along with newly-issued currency, will form the source of credit funds, and will then be distributed to the various branches of the central bank according to the state of economic development, and the central bank branches will then loan them to specialized banks for their use. The central bank has the right to readjust the reserve rate according to the state of national economic development, and the specialized banks must diligently carry out instructions so as to control the credit scale and the money supply.

The only way to enliven credit is for the specialized banks to use the deposits they retain after handing over reserve funds to the central bank, along with loans from the central bank and existing funds, to carry out independent management; issuing more loans the more deposits they take. Specialized banks may borrow funds from each other, strengthen horizontal links, and therefore balance out surpluses and deficits. The central bank may also open special deposit accounts at specialized banks which may be used for borrowing and lending between the specialized banks, and thereby act as a financial bridge.

3. Information guidance. The central bank should become a nationwide economic information center; this is an essential condition for the functioning of the central bank and indeed the entire financial system. A socialist bank is the central axis for nationwide monetary activity, with close economic ties to all the departments and sectors of the national economy. Consequently, the state of enterprise production and sales; market supply and demand, and the major ratios of the national economy are all reflected in banking activities. Therefore, the establishment of an economic information network centered on the central bank, which will analyze and research all sorts of economic information, circulate such information promptly to the specialized banks, and form the basis for microeconomic regulation, thereby governing and guiding the business activities of specialized banks, will play a positive role in the control of the money supply and the enlivenment of credit.

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NATIONAL POLICY AND ISSUES

MEETINGS ON DEVELOPING TERTIARY INDUSTRY HELD IN WUHAN

Wuhan CHANGJIANG RIBAO in Chinese 26 Jun 85 p 1

[Report by Shi Futiao [2457 4395 6148]]

[Text] Yesterday, the municipal people's government convened a plenary meeting at which the governor, vice governor, and 200 people, including responsible comrades of the organs directly under municipal jurisdiction and large-scale enterprises, assembled to discuss the grand plan for development of tertiary industry.

Since this year, positive momentum has appeared in the development of Wuhan's tertiary industries. Output value for the first quarter was 992,900,000 yuan, an 18-percent increase compared to the same period last year, while employees of tertiary industries has reached 970,000. The problem addressed at the meeting was how to accelerate development of tertiary industries on this foundation.

In his speech at the meeting, Governor Wu Guanzheng [0702 1351 2973] said: In developing tertiary industries, we must make full use of the existing foundation provided by our primary and secondary industries, establish our foothold on reform, persevere in self-reliance, direct our vision inward and tap our internal potential, so that, through developing the tertiary industries, we will create the conditions for improving labor productivity for the primary and secondary industries and improving overall benefits to society. The state, collective and individual must advance together and the various trades and undertakings must advance together. We must persevere in serving production and construction, serving the people's livelihood, working to promote market prosperity, and working to promote our regional economy. We must also persevere in the principles of adapting to local situations, making overall plans, emphasizing key projects, inspiring various undertakings, and bringing about development of diverse components, levels and forms with high results and stability.

Wu Guanzheng analyzed the superior conditions for the development of Wuhan's tertiary industries and proposed that we must give priority to developing the trades and undertakings which serve production and construction as well as the people's livelihood. While developing the traditional trades and undertakings, we must actively support the nascent service trades, as this is

the focus of tertiary industry development. Currently, we must give prominence to developing communications and transportation with water transport as the key; developing posts and telecommunications; vigorously developing commerce, the catering trade and various service trades; operating various types of trade centers, farmer's markets and trading shops; speeding up the development of nascent undertakings in education, information and consultation; actively developing such undertakings as advertising, leasing, tourism and culture and recreation; and continuously developing the market for production materials, the monetary market, the scientific and technological market, and the labor service market; and fully exercising the city's multiple functions.

At the plenary meeting of the municipal people's government yesterday, the participants discussed and passed corresponding policies and measures which must be adopted in developing the tertiary industries. The enterprise could make use of the surplus labor force and idle equipment and factory buildings as well as production technology to support the tertiary industries. Faithfully observing the spirit of the Central Committee "decision on strictly forbidding the involvement by party and government organs and party and government cadres in business and establishment of enterprises," the government organs and leading bodies have persevered in the principle of "dividing responsibility between the government and enterprise and separating officials and businessmen" in setting up the tertiary industries. The collective enterprises are permitted to run telecommunications, small monetary services, small insurance business, tourist, consultation and information services. Exclusive operation by the commercial service network of parks, scenic areas and amusement parks has been shattered. Other commercial enterprises are permitted to perform these business operations. Through examination, individuals are permitted to run knowledge-intensive undertakings which emphasize labor service and which demonstrate urgent need, such as clinics, law offices and accounting services. Through assessment by concerned departments, the scientific and technological personnel who take part in the consultation services can draw a definite amount of wages and bonuses from the profits obtained through service. The first floor of the permanent residential houses on major city streets can be used as business locations for the tertiary industries. Commerce and service trades are permitted to occupy the walls of the main streets as long as they do not block the streets. The various concerned sectors must actively assist the peasants who come to the cities and towns to set up tertiary industries in solving such problems as sites and living quarters. The peasants should be allowed to build trade buildings and restaurants and other service facilities in the section of the fair towns and suburbs where commerce and service trades are not developed. The concerned urban sectors must give appropriate preferential treatment to the peasants in the areas of taxation, loans and material supply. They must support and protect the legal long-distance transport for peasant marketing efforts. The various prefectures, counties, bureaus and concerned departments must simplify the procedures for approval upon examination. The industrial, commercial, banking, tax and labor sectors must complete the procedures for settling the households and setting up business as soon as possible for those who meet the terms for the establishment of tertiary industries.

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7 February 1986

## NATIONAL POLICY AND ISSUES

## PRC JOURNAL ON REFORM OF TOBACCO MONOPOLY

HK13075J Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 11, 20 Nov 85 pp 36-40

[Article by the investigation group of the Institute of Industrial Economy under the Chinese Academy of Social Sciences: "An Investigation of the Problems in the Reform of the Tobacco Monopoly System"--written in October 1985]

[Text] The tobacco industry is an industry which must see controlled development and is also one which has great significance in terms of state financial income. At present, the tobacco industry faces two major tasks: 1. It needs to further improve economic results so as to provide more accumulation funds for the state and to accord with the demands of socialist modernization. 2. It must raise product quality and greatly increase the production of top-quality tobacco in order to satisfy the peoples' consumption demands. Thus, how we are to further do well in reform and promote a great improvement in economic results and product quality is a great problem requiring urgent investigation and resolution by the tobacco industry. Thus, recently we carried out a quite systematic investigation of the tobacco industry, and successively held discussions with the comrades of the planning, production, financial, science, and technology, materials, sales, and import/export departments of the China Tobacco Corporation. Also, together with the comrades in the corporation, we investigated over 30 tobacco companies, cigarette factories, tobacco research institutes, tobacco planting bases and such enterprise units in the 6 provinces/cities of Beijing, Shanghai, Zhejiang, Guangdong, Yunnan, Henan, and Anhui. By these means, we carried out analytical research into the present situation of, and the problems in, the reform of the nation's tobacco industry.

#### The Tobacco Industry Has Achieved Initial Successes in Implementing the State Monopoly and Unified Management

The tobacco industry is an industry with high accumulation. At present, the profits handed over to the state annually by this industry constitute 8 percent of national financial income, and thus it is one of the important sources of such income. In order to develop production in a planned way and guarantee state financial sources, in May 1981, the State Council decided to institute a state monopoly for tobacco and establish the China Tobacco Corporation. In September 1983, the State Council promulgated the "Tobacco



Monopoly Regulations" and established the State Tobacco Monopoly Bureau. Over the last few years, initial results have been achieved in the institution of the monopoly in, a unified management of the tobacco industry:

1. Tobacco companies have been established at various levels and enterprise planning is being handed up. Apart from Xizang, which has not established a tobacco company, the vast majority of the provinces, cities, and autonomous regions have set up tobacco companies and tobacco monopoly bureaus. Of these, 19 provincial-level companies and the Chongqing City company have handed up their planning to the corporation for its unified management. Their cigarette production and tobacco purchasing quantities constitute 86 percent and 82 percent of the national totals respectively.

2. There has been reorganization of those cigarette factories outside the plans and hand-made cigarettes have been suppressed. Over the last few years, a total of over 300 cigarette factories outside the plans have been closed and various phenomena which have existed for a long time, such as blind development by small cigarette factories and illegal trade in hand-made cigarettes, which has disrupted the markets, have been curbed.

3. Production cooperation and horizontal economic relationships between various provinces and cities have been developed. Joint production has been arranged between Anhui and Shanghai, Shanghai and Henan, Shanghai and Guangdong, and Guangdong and Yunnan. In 1984 alone, an extra 500,000 cases of high-quality saleable cigarettes were produced, resulting in an increase in tax profits of 350 million yuan.

4. Cigarette production and the tax profits realized have both increased quite quickly. The 1984 figures for cigarette production and for tax profits were respectively 24.7 percent and 42.5 percent higher than the figures for 1981, which was before the tobacco corporation had been established. The growth of tax profits exceeded both the growth of production value and growth of output value, and realized the goal set for it by the 6th 5-Year Plan a year ahead of time.

#### The Obstacles Encountered in Reforming the Tobacco Industry and the Major Problems Which Exist at Present

In the last few years, the China Tobacco Corporation and the State Tobacco Monopoly Bureau have done much work in strengthening the unified management of the tobacco industry. However, there are many problems at present which interfere with the state tobacco monopoly and obstruct the reform of the tobacco industry. Also, there are some contradictions related to the development of the overall industry which have not yet been basically resolved. These are mainly manifested as follows:

1. Some provinces are unwilling to hand up tobacco enterprises' planning, thus obstructing centralized and unified management. Back in 1981, the State Council determined that cigarette industry enterprise units would be subject to the corporation in a unified way, and that the corporation would exercise

unified management over the tobacco industry in terms of supplies, production, and sales as well as personnel, finances, and materials. In the last few years, the tobacco corporation has, in accordance with the State Council's decision, grasped the work of getting enterprises to hand up their planning as an important task. However, in practice, great obstacles and interference has been encountered, with the result that even now the handing up of planning has not been completed. Some provinces have all along failed to sign agreements on handing up planning and failed to make arrangements in terms of handing up planning. Some have signed agreements on handing up planning, but have stalled and are unwilling to hand up planning in respect of enterprises' financial matters. This is especially so in some key tobacco-producing provinces where planning in terms of their enterprises' jurisdiction and financial relationships has not been handed up. This has resulted in difficulties in completely realizing centralized, unified management of the tobacco industry.

2. Various areas are blindly developing production, and this is not subject to the control of state plans. Tobacco is a highly-taxed product. Since the implementation of the financial task responsibility system, in order to increase local financial income, some provinces and cities have blindly expanded tobacco cultivation areas and increased cigarette production which is not in accord with the production arranged through state plans. It is predicted that the area planted to flue-cured tobacco this year will exceed the plans by 3 million mu, and that production will exceed the plans by 10 million dan. Cigarette production will also exceed the plans by 2 million cases. This will give rise to phenomena whereby it will not be possible to purchase tobacco, it will not be possible to store the tobacco, and it will not be possible to sell the cigarettes and they will go mouldy in storage.

3. Some provinces, cities, and regions have changed the state tobacco monopoly into local monopolies. This has blocked up the normal circulation channels and obstructed the unified management of the market. High- and medium-quality tobaccos are the raw materials for first-grade and second-grade cigarettes. One dan of good tobacco processed into cigarettes will produce 10 times the tax it would as tobacco. Thus, the tobacco-producing areas retain as much of the good tobacco as possible to process themselves. They are not willing to transfer the tobacco, with the result that some well-known brands of cigarettes cannot be produced due to lack of raw materials. For example, take the superior-quality tobacco required in the first half of the year by the Shanghai Cigarette Factory to produce Zhonghua-brand cigarettes--Henan was only able to supply 40 percent, Guizhou 35 percent, and Yunnan 30 percent of their material allocation tasks as set down by the corporation. In the past, the annual production of Zhonghua-brand cigarettes reached 19,000 cases. Now, only 3,000 to 4,000 cases can be produced.

In the sale of cigarettes, various areas, in order to protect local interests, do everything possible to support the cigarette factories in their own locality. On the one hand, they adopt blockade policies in respect of importing cigarettes from other provinces, with the result that the masses cannot buy good cigarettes which are produced in other regions. On the other



hand, they use drawback subsidies and such measures to support the local cigarette factories in selling competitively at low prices, thus causing a drain on state financial resources. Loopholes also exist in market management, and in some areas plain-wrapper, non-brand cigarettes often appear. In state-run shops one cannot buy good cigarettes while large quantities of the superior cigarettes come into the hands of small traders who raise prices at will. Control over imported cigarettes is also insufficiently strict. Apart from state planned imports, in the coastal areas large quantities of foreign cigarettes are gushing onto the domestic market through small-scale border trade and duty-free avenues at customs checkpoints.

The main reasons why the above-mentioned problems exist in the implementation of the monopoly in, and in unified management of, the tobacco industry are as follows: 1. The allocation of benefits is not sufficiently rational. Tobacco and tobacco products are high-tax products. The aims of the state in implementing the high-tax policy are: 1) To restrict the blind development of tobacco and cigarette production, as "localities are forbidden to levy the tax." 2) To increase the state's and particularly the central authorities' financial income. However, during the second step of the reform to substitute tax payment for profit delivery, no special policies were adopted in respect of the high taxes on tobacco and cigarettes. These were mixed together with the product taxes on ordinary consumer products and were included in the income to be shared between the central authorities and local authorities. Thus, the tax income from tobacco and cigarettes has remained entirely or mostly in the localities, and has become an important source of income for the local financial departments. This has resulted in the high taxes not only failing to play a role in restricting the blind development of tobacco and cigarettes, but actually becoming a motive force in encouraging local blind development of tobacco and cigarette production. The present blind expansion of areas planted to tobacco and the arbitrary excessive production of cigarettes which is occurring in various areas, is the root of the problems whereby there are mutual blockades between cigarette markets, whereby good tobacco is not transferred, whereby brand-name cigarettes cannot be produced and whereby several major tobacco-producing provinces are unwilling to hand up planning in terms of their enterprises' jurisdiction and financial relationships.

2. Ideological understanding is not unified. The comrades in many areas lack a clear understanding as to the significance of the implementation of a state monopoly in respect of the tobacco industry. They do not understand why other products are being freed and tobacco and tobacco products are subject to monopoly. Also, they do not understand why enterprises in other sectors are being delegated power while tobacco industry enterprises are having to hand power up. Likewise, they do not understand why other industries are being decentralized and the tobacco industry must be subject to unified management. They erroneously set the tobacco industry monopoly against the current economic reforms, and adopt an attitude of resistance in respect of unified management by the tobacco corporation.

3. Internal management of the tobacco industry is imperfect. The tobacco corporation has not been established long and its internal management system and structure are still not perfect. In some areas, although the name plate has been hung up, they do not have any staff who really engage in management. Management thus exists only in name. Some organs have management staff, but their quality is low and they cannot meet the demands made by the monopoly and the unified management of supply, production, and marketing. The authority of the organs at various levels is clearly differentiated from that of the economic organs, and there are insufficient connections between the three links of supply, production, and marketing. Also, mandatory planning lacks a scientific nature and is difficult to enforce while administrative interference by local governments in the enterprises under the tobacco corporation is excessive.

#### Further Reforming the Tobacco Industry's Management System and Putting Economic Relationships in Order

To put the economic relationships within the tobacco industry in order and improve economic results, it is necessary to speed the pace of reforms within the tobacco industry, and adopt decisive measures to basically resolve those problems in the tobacco industry which have long remained unresolved.

1. It is necessary to establish a tobacco monopoly tax. This is the key to restricting the blind development of the tobacco industry and to increasing state financial income.

The high taxes on tobacco and tobacco products are "monopoly super-profits" obtained by the state, with a policy of "forbidding localities to levy the taxes." After the financial system changes from the former system of unified income and expenditure to where enterprises are solely responsible for their own profits and losses, and there is "eating in separate canteens" through financial responsibility contracts, these "super-profits" should not become direct income of enterprises. Neither should it constitute direct income of the localities. It should be state income, that is financial income of the central authorities. Thus, in accordance with the demands of this special system of tobacco monopoly, we should further reform the distribution of income from tax on tobacco, divide these "super-profits" from the high-level product taxes at present, and institute a new tobacco monopoly tax. This tax will constitute direct financial income for the central authorities, and the remaining amounts will be handled in accordance with current product taxes. At the same time, we should adjust the bases of localities financial contracts. This is the key to restricting blind development of tobacco production and to increasing state financial income. As to a suitable rate for the monopoly tax and the amount to be left with localities, we should set these in accordance with the principle that they be of benefit to centralized, unified management by the central authorities, but that they should not stifle the enthusiasm of the localities. They should be set through reference, and comparison with other product tax rates and profit rates in other industries.

The present product tax rate for flue-cured tobacco is higher than those for all other economic crops. For example, it is 50 percent higher than the rate for tea, 1.5 times that for raw lacquer and 2.5 times that for logs. We believe that the product tax rate for flue-cured tobacco should be a little higher than the rates for other economic crops. However, to avoid blind development, it should not be too much higher. We could consider taking 35 percent of the present product rate of the monopoly tax to go to central finances. The remaining portion will be basically equal to the product tax for tea. In this way, after the adjustment, the localities will still get a large amount, which means that the localities' interests will still be looked after. At the same time, if we only adjust tax receipts, and the purchase price for tobacco remains unchanged, the interests and enthusiasm of the tobacco farmers will not be affected.

The present average tax rates for cigarette products is much higher than those for other light industry products which mainly use agricultural products as raw materials. For example, it is 5 to 10 times as high as the rates for canned goods, milk powder, liquid beverages, leather, and so on, 3 times as high as that for sugar, and twice as high as that for wine. Through reference to tax rates on various light industry products, we can consider fixing 80 percent of the current cigarette product tax as the monopoly tax, with the revenue going to the central authorities. The remaining 20 percent will be subject to product tax in accordance with current practices. After adjusting things in this way, even though the profit tax rate (excluding monopoly tax) in the cigarette industry will decrease greatly, it will still be higher than the profit tax rates for other foodstuff products such as edible oil, canned goods, refined sugar, and wines. Thus, local investment in cigarette factories will still be able to bring in a little more tax revenue than is forthcoming from other products.

By carrying out the above-mentioned reforms of tobacco and cigarette tax revenue, it will be possible to quite appropriately resolve the current contradiction between the monopoly system whereby tobacco is subject to centralized management by the state, and the financial system of local financial contracts whereby there is "eating in different canteens." This will put the economic relationships of the tobacco industry in order. The advantages of this are: 1. It will be possible to correctly bring into play the role of tax in achieving macroeconomic control and regulation by the state. It will also effectively restrict the tendency towards blind development of tobacco and cigarette production by various areas. 2. It will be able to bring into play the important role of tax in increasing state financial income. In this way, the state will have a relatively regular source of tax revenue and this will become increasingly stable. 3. It can reduce unnecessary administrative interference in the tobacco industry by local governments. It will also be beneficial to the separation of government and enterprise functions and to the enlivening of enterprises. 4. The readjustment of the bases of local financial contracts will alleviate the burdens of increased difficulties in those areas where tax on cigarette production constitute a quite large percentage of financial income. This will also urge all

areas to pay attention to developing the local economy in an overall way so as to realize a relationalization of the local economic structure.

2. It is necessary to establish a tobacco monopoly law to strengthen the implementation and supervision of the tobacco monopoly.

The establishment of a state monopoly for tobacco is determined by the special nature of this product. Tobacco and tobacco products are particularly addictive products which have definite harmful effects on people's bodies. Thus, we cannot allow unrestricted production or the policy of small profits with great turnover. We must exercise control over both production and sales. For this purpose, many countries have successively implemented a state monopoly for tobacco. We can see from records that at the beginning of the 1930's, 26 countries in the world had established state tobacco monopolies or had specialized companies for managing tobacco in a unified way. The practice of our nation's monopoly over the last few years has shown that this system has greater advantages than the original system of decentralized management in terms of guaranteeing state financial income and improving market supplies. Implementation of centralized, unified management in the tobacco industry is not contradictory to the basic spirit of the current reform of the economic structure. The central link of our nation's economic structural reforms is the strengthening of enterprises' vigor. As for the tobacco industry, which is a special industry, the tobacco corporation is a large, national enterprise which manages the tobacco industry in a unified way. The cigarette factories, purchasing stations, and sales units in all localities are its internal economic organizations. In enlivening enterprises, we must first enliven the large enterprises that is the tobacco corporation. In expanding the power of enterprises, we must first expand the power of the tobacco monopoly. The state administrative departments, including light industry departments, commercial departments, supply and marketing departments, foreign trade departments and so on have given power to the tobacco corporation in respect of supply, production, and sales and in foreign trade. The governments of various localities have placed the plans of tobacco enterprises in their jurisdiction under the leadership of the tobacco corporation. These actions all accord with the basic spirit of reform in expanding the autonomy of enterprises. This is also consistent with the directions of reform toward the separation of government and enterprise functions and the organization of production through specialized cooperation. As to how the tobacco corporation is to give further autonomy to grassroots-level enterprises, this is a problem of delegating management within the corporation. That is, it is a problem of a large enterprise having to internally further enliven the grassroots level. That view which holds that the implementation of a state monopoly for tobacco, the centralized, unified management of tobacco, and the taking in of enterprises by the tobacco corporation are inconsistent with the spirit of the current reforms, is an inappropriate view.

In order to further unify understanding, guarantee the realization of the monopoly and of unified management, and increase the authority of the state tobacco monopoly, we believe that there is a need to establish a tobacco monopoly law. Tobacco monopolies abroad have mostly been realized through

legislation, with violations of the monopoly being criminal violations subject to legal punishment. The "Tobacco Monopoly Regulations" which are currently in force in our nation lack legal effectiveness and authority. Thus, there is a need to formulate, on the basis of these "Regulations," a "Tobacco Monopoly Law." This will have great significance in overcoming the current wanton violations of the monopoly, and in guaranteeing state financial resources. At the same time, we must strengthen the implementation and supervision of the monopoly. On the one hand, we must strengthen overall administrative management of the monopoly by the State Tobacco Monopoly Bureau. On the other hand, we must draw support from the supervisory network of industrial and commercial administration, financial, pricing, and taxation departments. Also, we must use the authority of judicial and procuratorial organs as well as the public security bureau and customs in various areas, and together supervise, inspect, and protect the tobacco monopoly.

3. We must separate government and enterprise functions and strive to enliven the corporation itself as well as its grassroots-level enterprises.

Following the completion of the work of having tobacco enterprises hand up planning and the creation of centralized, unified management, the tobacco corporation should actively do well in internal reform of the industry.

First, it is necessary to carry out the separation of government and enterprise functions. We must clarify the responsibilities of the tobacco corporation and responsible government departments. The tobacco corporation is an economic organization with independent accounting and responsibility for its own profits and losses. It also has the responsibility and right to fulfil the state plans. The responsible state departments mainly exercise the functions of owners of the means of production and cannot interfere in the internal economic activities of enterprises. The planning orders of the various functional management departments of the government, for example the planning, financial, and labor personnel departments should be handed down to the tobacco corporation through the "funnel" of the responsible departments. At present, the tobacco corporation is managed by the Ministry of Light Industry. We believe that a national corporation like the tobacco corporation, which involves agricultural, industrial, commercial, and foreign tradework should be directly managed by the State Council or by the State Economic Commission. It would then be possible to adopt the method of arranging an economic contract between the corporation and the state so as to fix the economic responsibility of the corporation to the state. This would be advantageous to motivating the enthusiasm of the corporation and its subordinate enterprises in providing more tax profits to the state.

Second, the corporation must exercise unified leadership, have graded management and strive hard to enliven the grassroots-level enterprises. At present, the corporation has a four-level management system--corporation, provincial company, branch company (cigarette factory), and county company. Following the raising of the management level and the reduction of the number of enterprises, management levels should gradually decrease. The corporation is a unit under state planning and has direct economic responsibility to the state.

Thus, it should have quite wide authority in terms of operations management. Its main functions should be: To clearly stipulate the operational goals and long-term plans of the corporation and its subordinate enterprises; to formulate technical standards and economic policies; to centrally manage product pricing and import/export business; to control the direction of enterprise investment and production capabilities; to handle well the overall balancing and handing down of annual plans; and to handle the appointment and dismissal of the top-level leaders in provincial companies. The corporation's subordinate tobacco flue-curing factories, cigarette factories, and sales units are the grassroots-level enterprises which directly produce and sell the products, and they should have the basic powers to allow them to complete their production and sales tasks. For example, they should have the right, in accordance with production and market needs, to choose raw materials and products. The factory manager (director) should have the power to establish a leading group and establish enterprise management organs, as well as the power, within the limits set by the corporation, to use retained profits for workers' bonuses, for technical transformation of the enterprise and so on. In accordance with the requirement that the large enterprises be gradually enlivened internally, the power of grassroots-level enterprises can be further expanded. The provincial companies and branch companies which lie between the corporation and the grassroots-level enterprises should mainly be responsible for the coordination and balancing of the various links of tobacco planting, allocation, cigarette production and sales. Following the improvement of internal management within the corporation, these middle levels will gradually change into agencies of the corporation. The present system whereby companies are established on the basis of administrative regions will change into one whereby they are established on the basis of economic regions. In brief, in the division of power by the corporation between various levels, there should be a "two-headed entity, empty in the middle." That is, the production and operational powers of the corporation and grassroots-level enterprises should be increased a little, while the main functions of the provincial corporations and other middle management organs should be to engage in organizing management and service for the completion of the corporation's plans. In this way, we will be able to achieve the goal of "few links, effective management and vigor."

Finally, the corporation must ensure that it does "not manage things too tightly and does not allow enlivening to give rise to disorder," and must combine direct and indirect control. When the Tobacco Industry Trust was established in the 1960's, in management there was sole reliance on mandatory planning, and tobacco and supplementary material were supplied in accordance with the make-up of the product. Now, because of the large number of cigarette brands, the complexity of their components and the insufficiency of high- and medium-grade cigarettes, many supplementary materials have already been subject to market regulation. It is not possible for us to again solely adopt mandatory planning and have the corporation allocate to the 100-plus factories the tobacco and supplementary materials they need. Also, solely using mandatory planning excludes the role of market mechanism and this is not beneficial to having enterprises change their products in a timely way in accordance with market demands. Thus, in planning and management, the



corporation should combine direct control with indirect control. That is, the corporation should control some of the name-brand superior products, and issue mandatory targets in respect of quantities and types for these products. At the same time, it will supply necessary materials so that there are no shortfalls in these targets. As for other products, the corporation should, in accordance with state production plans, separately issue production-limit targets to all production enterprises. These will only set upper production limits and the enterprises will not be able to arbitrarily exceed these. Product varieties should be set by the production enterprises in accordance with market demands and the supply situation for raw materials, and in accordance with the contracts signed with sales enterprises and purchasing units. Contracted sales should be used to determine production and prospective production to determine purchases. In this way, a situation of competition will exist between enterprises within the corporation, and this will bring about the continued improvement of operations management.

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PROVINCIAL AFFAIRS

HEBEI PEOPLE'S CONGRESS MEETING ENDS 21 DECEMBER

SK100624 Shijiazhuang HEBEI RIBAO in Chinese 22 Dec 85 p 1

[Excerpts] After a 5-day session, the 17th Standing Committee meeting of the 6th provincial People's Congress concluded on the afternoon of 21 December.

Sun Guozhi, chairman of the provincial People's Congress Standing Committee, attended the closing ceremony of the meeting, and Wu Qingcheng, vice chairman of the provincial People's Congress Standing Committee, presided over the ceremony.

During the meeting, members conducted earnest discussions and examinations on various agenda items.

The meeting urged the judicial personnel at all levels throughout province to clearly discern the complex and protracted nature of the struggle from the serious economic crimes; to earnestly implement the important directives given by Comrade Deng Xiaoping with regard to enforcing the open policy to enliven the domestic economy on the one hand, and dealing blow to serious economic crimes on the other hand; to make sustained efforts to resolutely launch an attack on economic criminal activities by applying the successful experiences gained in this regard; and to make greater contributions to safeguarding the smooth progress in conducting reforms in economic, educational, and scientific and technological systems and in accelerating the pace of building the two civilizations.

At the meeting, through full discussions, members unanimously approved the "Hebei provincial provisional regulations" on developing vocational and technical education, and the "Hebei provincial administrative regulations" on water resources.

The meeting elected Dong Naifang alternate deputy to the Sixth NPC and also approved some personnel changes.

Also attending the closing ceremony of the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Guo Zhi, Zhang Zhenchuan, Pan Chengxiao, Liu Ying, Zhang Kerang, Wang Yu, Han Qimin, Wang Youhui, and Du Benjie.



Attending the ceremony as observer were Hong Yi, vice governor of the province; Zhang Pingdong, president of the provincial higher people's court; Liu Zhiqi, chief procurator of the provincial People's Procuratorate; and responsible persons from the departments concerned.

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7 February 1986

## PROVINCIAL AFFAIRS

## RUI XINGWEN ON SHANGHAI'S 'EXCELLENT' SITUATION

OW221441 Shanghai City Service in Mandarin 2300 GMT 21 Dec 85

[Text] Briefing party cadres from municipal bureaus and organs on the current situation on the morning of 21 December, Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, urged the cadres to step up their study of the Marxist theory, improve their professional skills, offer good advice on leadership policies, render excellent service to grassroots units, and set good examples in all areas for the masses.

Speaking about the current excellent situation in Shanghai, Comrade Rui Xingwen said: The gross municipal product is expected to reach 45.8 billion yuan this year, an increase of some 12 percent from 1984, and financial revenues are expected to exceed the planned target. Efforts to fulfill plans in commerce, communications, transportation, posts and telecommunications, and withdrawing currency from circulation have also yielded good results. Per-capita consumption in Shanghai is expected to amount to 918 yuan this year, an increase of 374 yuan from 1980. Allowing for the increase in commodity prices, there was an average increase of 6.7 percent every year during the sixth 5-year plan period.

Comrade Rui Xingwen noted: With immense support from the central authorities for Shanghai's economic construction in 1986, we should do our best to make more contributions to the state. He emphatically said: Cadres should play exemplary roles in correcting party style, in upholding the party spirit and principles, and in serving the people. They should also improve their work styles thoroughly, overcome bureaucracy, do more and speak less, stop shifting responsibilities to one another and arguing over trifles, and solve problems vigorously and responsibly.

Jiang Zemin, deputy secretary of the municipal party committee, also addressed the meeting.

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CSO: 4006/1574

PROVINCIAL AFFAIRS

SICHUAN FORUM REVIEWS REFORM OF ECONOMIC STRUCTURE

HK150143 Beijing GUANGMING RIBAO in Chinese 2 Jan 86 p 1

[Report by special reporter Wang Maoxiu [3769 5399 0208]: "Forum on Situation of Reform of the Economic Structure Held in Sichuan"]

[Text] On 20 December 1985, some economists, philosophers, and practical workers in Sichuan's philosophy and social science circles held a forum on the situation of China's current reform of the economic structure. In the light of Sichuan's realities, they unanimously held that a very important task for us at present is to continue the reform, further consolidate, supplement, and enhance the previous achievements, and preserve advantages and overcome defects while emphasizing solving some major problems arising in the course of reform.

The forum was co-sponsored by the theoretical office of this paper and the Sichuan Provincial Philosophy and Social Science Association, and was participated in by Liu Shibai (professor and president of Sichuan Institute of France), Feng Ju (acting secretary of the party group of Sichuan Provincial Academy of Social Sciences), Kang Dian (vice president of the Sichuan Provincial CPC Committee's Party School and chairman of the board of directors of the Provincial Philosophy Association), Gu Zongcheng (vice president and deputy research fellow of the Sichuan Provincial Academy of Social Sciences), Shi Zhucheng (associate professor and vice dean of the economic department of Sichuan University), Guo Jie (director of the Chengdu Social Science Research Institute), Zheng Qing (deputy research fellow and vice chairman of the Sichuan Provincial Philosophy and Social Science Association), Zhang Yujun (deputy director of the Policy Research Office of the Sichuan Provincial CPC Committee), and Wang Dishu (deputy director of the Sichuan Provincial Office in Charge of Structural Reform).

The Orientation of Reform is Correct, the Achievements Are Great

Zheng Qing said: The reform started in Sichuan a bit earlier than other provinces. In 1978, beginning with the system of contracted responsibilities with payment linked to output, the system of contracted responsibilities on the household basis, with payment linked to output was then carried out, bringing about an overall reform in the countryside. After that, a reform aimed at improving the relations between the state and enterprises was carried

out, with emphasis on expanding the decisionmaking power of the latter. This was followed by an experiment carried out in some selected points in Chongqing on overall reform of the economic structure. After the 3d Plenary Session of the 12th CPC Central Committee, the reform of the economic structure in the cities entered a new stage and there appeared an unprecedentedly lively situation. Continuous, steady, and harmonious development was achieved in the entire national economy. From 1980 to 1984, the total industrial and agricultural output value increased by an average of 9 percent each year, and the per capita income of urban workers' families increased by 51 percent, while that of rural population increased by 52 percent. The living standards of most residents in both town and country were improved. The situation in 1985 was also better than expected.

Wang Dishu said: Sichuan's reform in 1985 had the following characteristics:

1) The vitality of enterprises has been strengthened and their economic returns have increased. This shows that although macroeconomic control has been strengthened, production has not shrunk. 2) The situation of price reform is comparatively good. This year's price increase will be controlled under the limits set by the central authorities. 3) Although the total amount of wages distributed has increased, there has been no swelling of the consumption funds and the total amount of money put into circulation in this province has even dropped by a big margin.

Shi Zhucheng said: Marked achievements have been scored in the reform. The continuous and steady growth of production is unprecedented since the founding of the state, and so is the increase of the consumption level of the people. The development is in general harmonious. The good situation is recognized by all.

#### We Must Not Fail To See the Role Played by Reform in Building Spiritual Civilization

Kang Dian said: Under socialist conditions, we must realize that the positive role played by the planned commodity economy on the superstructure and the ideological and political spheres is the major aspect of things: 1) It is conducive to breaking with narrow localism, the idea of closing the country to international intercourse, and the feudal patriarchal ideology; 2) it is conducive to fostering the scientific and progressive spirit of the Chinese nation; 3) it is conducive to cultivating the democratic spirit of the Chinese nation and promoting socialist democracy; 4) it is conducive to strengthening the idea of economic returns and fostering the spirit of taking good care of public property; and 5) it can help create conditions for raising the cultural level of the entire nation. He held that commodity production and the existence of money also play some negative roles. But if we only pay attention to their negative role to the neglect of their positive role, there will certainly be great obstacles to the development of the planned commodity economy. Some people will even think that the commodity economy is an example of "being influenced by the old society." This concept will lead to serious consequences.

Feng Ju said: The development of the planned commodity economy may bring about changes in the people's thinking, but we should not impute the problems that have arisen to reform and socialist commodity production. Such phenomena as selling fake medicine and committing murder in order to get money are not natural results of the socialist commodity economy. The socialist planned commodity economy is quite different from other commodity economies. It demands correct handling of the relations between the state, the collective, and the individual. Of course, blindness may also appear in the course of socialist commodity production, and the idea of exchanging at equal value may also intrude into the political and ideological fields. Therefore, while stimulating the economy, we must strengthen ideological and political work.

#### Difficulties Cannot Be Avoided in the Reform, We Are Optimistic Reformists

Liu Shibai said: The reform of the economic structure is an exploration of universal significance. In our reform, we have continued to combine the basic principles of Marxism with China's realities, and upheld the truth that has been examined by practice, free from the trammels of traditional ideas and foreign patterns. One can imagine how difficult it is to carry out a profound and wide-ranging reform in China, which is a country with a large population and vast territory but a weak economic and technological basis and which has no quick access to economic information! Defects cannot be avoided; there can never be plain sailing. But just as Comrade Xiaoping said, we are optimistic reformists.

Guo Jie said: We must be realistic in analyzing the situation and must not think that the reform has been "overdone." At present, various problems have emerged in the reform. To put it concretely, the main problems are:

1) Macromanagement and guidance have lagged behind the enlivening of the microeconomy; 2) the overall reform has lagged behind the reform in some specific fields; and 3) the measures and policies for indirect control are still not perfect since emphasis has been laid on direct control. However, these problems can only be solved by further carrying out the reform.

Zhang Yujun said: We cannot avoid new contradictions and problems in the reform. There can be no permanent solution for any reform. When problems emerge in the reform, we cannot say that they are natural results of the reform. We must make this clear. At present, we must continue to explore courageously and further perfect the reform.

#### It Is Necessary To Further Strengthen Theoretical Study and Propaganda on Reform of the Economic Structure

Liu Shibai pointed out: A pressing task for us at present is to further strengthen theoretical study and propaganda on reform of the economic structure. It is necessary to study, expound, and publicize the reform so as to support it by creating scientific theories. To put it more concretely, this means that it is necessary to conscientiously study and expound on the theory of the planned commodity economy, the historical background, the actual needs, and the general contents of this theory, and its great significance and

important role in changing the track of economic development. At present, there are still some confused ideas about this, such as whether the development of the commodity economy will naturally lead to capitalism, and whether the use of market mechanism and the relaxation in price control will naturally lead to inflation. Problems of this kind should be studied and clarified.

Gu Zhongcheng said: The reform is a great and systematic social project and a revolution as well. It cannot be carried out without theoretical guidance. The reform was started in Sichuan a bit earlier than other provinces and has been carried out comparatively smoothly in the past years. One of its characteristics is that the theoretical workers and practical workers have closely cooperated with each other and worked out some measures for the reform under correct theoretical guidance. The formulation of the concept of the "planned commodity economy" means a breakthrough, but problems concerning the mechanism of the planned commodity economy have yet to be solved in the future. The role of the market economy has not been brought into full play. Although market relations have been taken into consideration in deciding prices, the problem of how to use these relations has not been solved well. All this has to be conscientiously studied by both the theoretical and practical workers.

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CSO: 4006/588

PROVINCIAL AFFAIRS

ANHUI ADOPTS NEW MEASURES TO DEVELOP COUNTY LEVEL ECONOMIES

Hefei ANHUI RIBAO in Chinese 18 Jul 85 p 1

[Report by the Comprehensive Office of the Anhui Provincial Planning Committee]

[Text] Recently, acting upon instructions by leading comrades of the provincial party committee and the provincial people's government, the provincial planning committee and the provincial financial office convened in the Anqing Prefecture the Second Provincial Conference on Developing County Level Economies. The 11 participating key supporting counties summed up their experiences in the preceding year in developing county level economies, and advanced concrete demands for this year's work.

In March of last year, at the First Provincial Conference on Developing County Level Economies, 10 key supporting counties, including Woyang and Shu counties, were selected. Through their effort, preliminary results have now been scored. Statistics show that, last year, they supported 84 projects. By the end of 1984, 43 projects were accomplished, constituting 51 percent of all projects. The 41 projects transferred to this year will be completed and will enter into production in the second and third quarters of this year. In view of the completed projects, by the end of last year, a newly increased value of 7,435,000 yuan and newly increased taxes of 1.52 million yuan have been realized. After the projects under construction all enter into production, a newly increased output value of 87.01 million yuan and newly increased taxes of over 18.27 million yuan can be expected. Calculating from this result, all investments can be recovered in about 2 years.

This year, the 11 key supporting counties of Jieshou, Funan, Lingbi, Lai'an, Huoshan, Feixi, Hanshan, Shusong, Wangjiang, Tongling and Jiqi have been named. The total amount of annual financial subsidy for these 11 counties is 29.47 million yuan.

On the basis of summing up last year's work, the participants at the conference stipulated new measures in accordance with the instruction of the provincial people's government on the work of developing county level economies this year.

First, implement the system of contracted responsibility in investment. This not only will render financial and material support as well as support in policy to the key supporting counties, but will also put such pressure as reducing financial subsidies on these counties, thereby linking input with output and support with subsidy reduction. The provincial financial office offered 20 million yuan as a support fund. Half of this is financial appropriation and half is used with repayment without interest, with the term of repayment 5 to 6 years. The portion which exceeds the contracting base figure in the county finances for 1985 to 1989, 10 percent of which should be paid to the provincial financial office, will be exempt and be retained for use by the counties.

Second, investment in the support fund is primarily for enterprises which involve little investment, short production cycles, good results, highly motivated leading body and a strong sense of responsibility. To shatter the boundary of the forms of ownership, we should, under equal terms, give priority to supporting the urban and township collective enterprises and the rural enterprises. We must also support those state-owned enterprises which are characterized by small investment and good results. All the construction projects must emphasize technological transformation, reconstruction and expansion. The construction cycle must not be more than 1 year, while the period of recovery of investment must not exceed 2 years.

At the conference the participants also stipulated several policy measures in developing county level economies, including adopting effective measures to manage well and in a lively manner the support funds, relaxing the jurisdiction over the approval upon examination of the construction projects, strengthening organizational leadership and formulating development plans.

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CSO: 4006/877



PROVINCIAL AFFAIRS

ANHUI DEVELOPS COMMERCIALY-RUN INDUSTRIES

Hefei ANHUI RIBAO in Chinese 23 Jul 85 p 1

[Report by Shao Guangde [6730 1639 1795] and Li Jian [2621 0256]]

[Text] Our provincial supply and marketing cooperatives have done well in developing commercially-run industries. Currently there are nearly 2,000 factories and workshops of all categories throughout the province, with over 30,000 staff members and workers. There are over 1,000 rural fair towns in the province. Basically, every town has its own processing factory. Last year, the gross value of industrial output was 590 million yuan. In the first 5 months of this year, the output value has already reached some 300 million yuan. The profits provided through the commercially-run industries of those prefectural and municipal supply and marketing cooperatives now constitute one-third of total profits of the supply and marketing cooperatives.

Through system-wide reform, our provincial supply and marketing system has rectified its guiding ideology. In shifting from a purely business model to a production-business-service model, the various localities, in the course of running their industries, have widely advertised for skilled personnel, imported technology, and adopted the method of joint operation. The Huaining County Supply and Marketing Cooperative and the rural enterprises have, through collective investment and joint operation, built a cement factory which is capable of producing 35,000 tons a year. The Chengguan Supply and Marketing Cooperative of Yongshang County and the peasants there have built through collective investment a flour mill, which has already yielded an output value of some 500,000 yuan between January and April this year.

The supply and marketing cooperatives everywhere have fully utilized local natural conditions and resources to build factories on the spot. Quanjiao County utilized the factory buildings and facilities of the former cotton processing factory and the superiority of fine-quality cotton to set up a carding mill with an annual output of 300,000 wads of cotton. They supplied the market with fine-quality cotton quilts which are quite popular among the masses. Shu County has an abundance of cotton with rich cottonseed resources. The supply and marketing cooperative combined cotton ginning with oil pressing, thereby improving economic results as well as resolving difficulties peasants encountered in oil pressing.

In the course of running factories, the supply and marketing cooperatives in various places have paid great attention to developing traditional, famous and special products. Such items as the Tianchang manna cake, the Shunan sesame crunch of Tongling, the Wanhe square cake of Huaining, the Zhangdu pickles from Jingxian, and the Wuyi brick tea from Tuxian have doubled and redoubled their output in recent years. Utilizing their yangtao resources, Jinzhai, Jiqi and Xixian have processed and produced yangtao products, of which the preserved yangtao has been approved by the commercial sector and concerned scientific research department. Batch process has been instituted. On the basis of producing buttered seeds, the Wuhu city supply and marketing department has trial-manufactured more than a dozen seeds of different spices and flavors and increased output from several hundred thousand jin annually to over 10 million jin. They are sold to over 20 provinces and municipalities throughout China, which has promoted the development of seed production in Anhui's system of supply and marketing cooperatives.

Since last year, 19 varieties of the three categories of tea, seeds and wine with low alcohol content among the products of the supply and marketing system throughout the province won the Anhui provincial certificate for products of outstanding quality, while 9 varieties won the award for products of outstanding quality from the Ministry of Commerce. Qimen Kungfu black tea and Tunqi green tea won the state's gold and silver awards, respectively.

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CSO: 4006/877

## ECONOMIC DEVELOPMENT ZONES

### GUANGZHOU DEVELOPMENT ZONE OFFICIAL ON PLANS FOR 1986

HK020441 Hong Kong TA KUNG PAO in English 1-8 Jan 86 p 5

[Text] The Guangzhou Economic and Technological Development Zone plans to attract five times as much foreign investment in 1986 as in 1985, according to Miao Enlu, director of the zone's administrative committee.

Foreign investment is expected to amount to U.S. \$26 million in 1986, he said, and 11 Sino-foreign joint ventures and co-operative businesses will open in the zone in 1986.

Miao noted that the zone had clinched 36 deals involving industrial production and service trades with overseas firms since it was set up a year ago. Total investment in them would amount to U.S. \$49 million.

The local authorities have decided to spend 160 million yuan (about U.S. \$50 million) on infrastructure in 1986 to improve conditions for foreign investors.

The zone will import microwave program-controlled telephone switchboards with a total capacity of 10,000 lines in 1986. Direct dialing services are already available between the zone and major Chinese cities, the United States, Hong Kong, and Macao.

An 11-kilometre power transmission line would begin to supply electricity in 1986 and a 36,000-kilowatt power plant is being built.

Work began a year ago on the 9.6-square-kilometre zone, which was designed to attract foreign funds to develop new industries and technology. It is 35 kilometres from the Guangdong provincial capital of Guangzhou, and 88 nautical miles from Hong Kong.

The first stage of development involving two sub-zones that cover 2.6-square-kilometres will be completed within 5 years.

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CSO: 4020/176

## ECONOMIC DEVELOPMENT ZONES

### PEARL RIVER DELTA ECONOMY FLOURISHING

OW130312 Beijing XINHUA in English 0237 GMT 13 Jan 86

[Text] Guangzhou, January 13 (XINHUA)--The volume of retail sales in the Pearl River Delta soared to seven billion yuan in 1984, 4.6 times what it was in 1978, according to local officials.

The 21,500 sq km delta in central Guangdong Province is one of the three coastal areas opened to foreign investment and trade in early 1985. The other two are the Yangtze River Delta and the Minnan triangle in southern Fujian Province.

Meanwhile, the value of retail sales at rural markets in the Pearl River Delta tripled during the 1978-84 period.

In 1984, half of the local rural workforce were engaged in farming, compared with 70 percent in 1978. Previously, most peasants left the fields to work in township-run factories, while more and more are now shifting to the service sector.

Under the current policy, peasants are no longer tied to grain production as was the case in the past, the officials said. They are being encouraged by the government to grow more fruit trees, sugarcane, and vegetables to meet the increasing needs of major cities and mushrooming towns in the area.

In addition, the introduction of foreign funds and technology has helped streamline production of textiles, electronics, household electrical appliances, plastics, and foodstuffs.

As a result, these industries have become pillars of the area's urban industries.

The electronics industry in Jiangmen, for example, made up 13.2 percent of the city's total industrial output value in 1984, up from 5 percent in 1979.

Imports have enabled 14 percent of all equipment in Foshan, a major city in the area, to meet advanced international standards, and 50 percent to measure up to advanced domestic standards.

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CSO: 4020/174

## ECONOMIC PLANNING

### HEBEI VICE GOVERNOR ON 1986 TASKS

SK160410 Shijiazhuang HEBEI RIBAO in Chinese 18 Dec 85 pp 1, 2

[Report on speech delivered by Hebei Vice Governor Ye Liansong at a provincial planning work conference in Shijiazhuang on 15 December: "Persistently Maintain a Sustained, Stable, and Coordinated Development of the National Economy on the Premise of Improving Economic Results"]

[Text] Vice Governor Ye Liansong said at the provincial planning work conference: The general guiding ideology and the major tasks for the 1986 plan for national economic and social development are to conscientiously implement the guidelines of the National Conference of Party Delegates, to persistently place reform in the first place and make reform and construction coordinate and promote each other; to persistently maintain a sustained, stable, and coordinated development of the national economy on the premise of improving economic results; to uphold macro control and micro-flexibility and coordinate the scope and steps of relaxing and enlivening the microeconomy with the ability for macro-control; to persistently take the overall situation into account; to stress unity and actual results; to vie for more contributions; to strive to achieve a fundamental turn for the better in party style and social conduct; and make a more solid step in all fields of work of the province. Next year, all economic work should be carried out by focusing on improving economic results. The major point is to grasp reform, scientific, and technological advancement, technical transformation, readjustment of production setup, development of mountainous, plateau, and coastal areas, increases of production and income, and foreign trade and export.

Speaking on strictly controlling the scope of the investment in fixed assets, Ye Liansong said: In strengthening macro-control, the key is to control the scope of the investment in fixed assets, in particular in capital construction. Only in this way can we guarantee a sustained, stable, and coordinated national economic development. In the arrangements for the investment in local capital construction, the major areas are energy, communication, raw material, and development of intellectual sources. Investment should be first used in construction which needs to be continued and a few key projects, and in the development of "mountainous, coastal, and plateau" areas. In principle, no new projects should be started. In addition, a group of key projects of the state will be built in our province next year. With regard to the key projects designated by the state and the province, various

provincial departments, prefectures, and cities should give priority to them in such areas as fund, designing, raw materials, power, transportation, and construction forces. Beginning next year we should resolutely shift the focus of construction to the technical transformation, reconstruction, and expansion of the existing enterprises, and expand production chiefly by intensive means. Investment in the technical transformation of our province should be mainly used in light and textile industries, energy, communications, and the raw material industry. Investment should be arranged in such a way as to guarantee: First, the necessary projects undertaken this year and to be continued next year; second, the projects, to the extent possible for which contracts on technology import have already been signed; and third, a small number of new projects which should be started urgently, need shorter construction periods, and can yield better and quicker results. In carrying out the technical transformation projects next year, all prefectures, cities, and departments should act according to their capacity, proceed from the interest of the overall situation, strengthen macro-control, and concentrate financial and material sources on major projects. Large- and medium-sized enterprises are the lifeline of the national economy. Therefore, we should gradually shift the focus to technical transformation to large- and medium-sized enterprises and the enterprises which earn foreign exchange through export. This year the State Economic Commission and the Ministry of Finance decided on a list of the first group of large- and medium-sized enterprises of the country whose technical transformation will be supported on a priority basis. Preferential treatment in terms of policies will be given to these enterprises by the state. Enterprises listed in the list should make good use of the preferential conditions granted by the state and fully develop their advantages to carry out technical transformation in a down-to-earth manner. They should conscientiously work out "7th 5-Year" technical transformation plans with the guidance of the plans for their own trades.

We should support the technical transformation of those enterprises that export products to earn foreign exchange and should place the emphasis on supporting enterprises that produce traditional products and machinery and electric products for export. The various prefectures, cities, and departments should strengthen leadership, formulate specific plans, and strive to make new progress next year in the technical transformation projects of a group of enterprises that earn foreign exchange through exports.

Comrade Ye Liansong said: Next year, we should continue to speed up the development of the rural commodity economy. The rural economic development should be based on local resources. We should focus our attention on making the people prosperous in general and, in line with the principle of "stabilizing the major aspects and readjusting the minor ones," and on the premise of guaranteeing a stable increase in the total grain output, and should vigorously develop the diversified economy focusing on the development of "mountainous, coastal, and plateau areas." In order to comprehensively develop the rural economy, we should firmly grasp four fields of work: 1. We should continue to readjust the rural product structure. It is necessary to stabilize the acreage of grain fields, strive to increase the per unit area yield, increase the total output, do a good job in combating drought and

preventing plant disease, and strive to reap a bumper summer harvest. Meanwhile, we should develop industry to make up for the losses in agriculture, implement the penalty and award systems in the contract lands according to the land fertility, strictly control the appropriation of arable land for nonagricultural use, encourage peasants to invest in their production, and ensure a stable increase in the total grain output. The production of cotton should be appropriately concentrated on the Heilonggang areas. We should grasp well vegetable production in the urban and suburban areas. While readjusting the structure of the cropping industry, we should also vigorously develop animal husbandry. 2. We should speed up the development in the mountains, coastal, and plateau areas. In the mountainous areas, it is necessary to break the shackle of "taking grain as the key link," take advantage of their own favorable conditions, comprehensively develop forestry, fruits, livestock breeding, mining, grain production, trading, industry, agriculture, and transport undertakings, improve the value of products through processing, and gradually establish a complete operational system which integrates scientific research, production, processing, storage, transport, and sales. In the plateau areas, we should implement the policy of "integrating forestry, grass cultivation, animal husbandry, and agriculture, taking animal husbandry as the major field while developing industry and trade"; strengthen the building of grasslands; speed up the transformation of grassland; actively improve the fertility of grassland by grazing animals from one place to another; utilize the favorable conditions of animal husbandry, sesame, and potatoes; attend to processing farm and animal by-products; develop commodity production; and further raise the overall economic results. The work focus of the coastal areas should be placed on developing aquatic products, sea salt, and the coastal strips, fully utilizing the natural resources of the ocean and beaches, actively developing deep-sea fishing and artificial breeding, correspondingly developing the supporting facilities for breeding small fish, fish bait, fish processing, storing, and transport as well as highway construction, and gradually changing the natural favorable conditions into economic favorable conditions. 3. We should strengthen macroeconomic guidance and actively develop the township enterprises in a planned manner. In line with the policy of "actively supporting, rationally planning, and correctly guiding township enterprises and strengthening management over them," next year, we should develop township enterprises according to local natural resources, utilize our own favorable conditions, do a good job in the reprocessing and precision processing of farm and sideline products, and render services to the storage, packing, transport, supply, and sales of farm and sideline products so as to give a whole range of services throughout the production process. Areas with mineral resources should actively develop mining, building materials, and various service industries. The economically developed areas near the urban areas should develop a processing industry that supports large-scale industry and serves exports. Areas which have developed township enterprises ahead of others and have a comparatively good foundation should grasp enterprise consolidation, update equipment and technology, speed up the readjustment of production and product structures, strive to develop new products, raise product quality, and enhance the competitiveness of products. Areas which have developed township enterprises late and have a comparatively poor foundation, particularly the



old revolutionary bases, the minority, outlying, and poverty-stricken areas, should be supported continuously. 4. Construction of commodity production bases should be accelerated. Next year, the province will emphasize the construction of the eastern Hebei corn production base and the Heilonggang cotton production base. In the eastern Hebei corn production base, three things should be stressed. First, we should formulate an overall plan successfully. Second, we should do a good job in mutual coordination and service work in line with the 10 aspects of a coordinated process, and clearly define specific tasks and the steps and measures to be implemented. Third, we should conduct successful economic appraisals, and cultivate and popularize fine strains in line with the demands in export. In the cotton production base, we should emphasize the cultivation of fine seeds, wide application of technology, and construction of the facilities for the base. Next year, we should first build the Nangong, Gucheng, and Jixian fine quality cotton bases. All localities should also build small bases to produce meat, eggs, poultry, milk, vegetables, melons, and fruits, and flowers in line with market demands and their favorable conditions.

Speaking on next year's industrial production, Comrade Ye Liansong pointed out that it is necessary to give prominence to economic results. He said: General ideas for next year are to carry out reform persistently, to readjust production structure, to give prominence to economic results, to control the production of the products in excessive supply, to expedite the production of light and textile industries, energy, raw material industry, and export goods, and to maintain a proper growth rate. 1. We should further invigorate enterprises, in particular large- and medium-sized enterprises. First, we should further simplify administration and delegate power to lower levels, and resolutely implement the various regulations on invigorating large- and medium-sized enterprises mapped out by the CPC Central Committee, the State Council, and the provincial CPC Committee and government. We should be firmly determined to solve the problems of "creating obstacles in the middle," sort out and consolidate administrative and semi-administrative companies, and disband all companies that have nothing but briefcases. The problem of enterprises having too much of a burden should also be solved conscientiously in line with the regulations of the provincial CPC Committee and government. Second, all enterprises should fix their eyes inward to make their whole range of reforms successful. They should, first of all, earnestly popularize Shijiazhuang City's experience in carrying out a whole range of reforms in a "colliding and rebounding style" aiming at invigorating enterprises, and comprehensively enforce various forms of the economic responsibility system with contracts as the major form, in particular the system of having plant directors fulfill the designated targets within their terms of office. They should, in the second place, reform their managerial systems and properly make their basic accounting units smaller in order to make operation more flexible and to arouse the initiative of their branch plants and workshops. They should, in the third place, strengthen democratic management of enterprises, continuously improve the political and professional competence of plant directors and managers, and give full play to the role of enterprise party committees in supervising and ensuring the work of enterprises. Third, we should continue to expand the authority of enterprises to make plans.

Fourth, we should further handle well the relationship between the interest of the state and those of enterprises. We should differentiate between different situations, and gradually reduce or exempt the regulatory business taxes levied on the large- and medium-sized enterprises which have achieved better economic results, earned more foreign exchange, made greater contributions, and paid more regulatory business taxes, and which should be technically transformed urgently. 2. We should improve the operation and management of enterprises and upgrade their managerial level. In the new year, rotational training of managerial personnel at various levels and of directors and managers of industrial and communications enterprises should be continued successfully in order to improve their competence in making macroeconomic policy decisions and exercising microeconomic management. The trend of a decline in product quality that appeared in the fourth quarter of last year has been initially brought under control. However, the long-standing obstinate malady of poor product quality and few varieties and specifications, which exists universally, is far from being eliminated. To this end, first, we should attend to developing new products. In line with the principle of giving different responsibilities to different levels, the province should concentrate efforts on grasping the development of some key projects. Next year, all large- and medium-sized enterprises should develop one or two new products in line with their actual situations. We should adopt policies of supporting the development of new products and gradually change the pattern of developing mainly one product into one of developing a series of products. Second, we should straighten out our ideology on operation, and persist in "quality first." While implementing the economic responsibility system, we should give primary consideration to quality, implement the system of the "five prohibitions," and resolutely organize production according to quality standards. Third, we should reduce production cost and material consumption. Meanwhile, we should strictly observe the labor organizational discipline, and establish and improve all necessary regulations and systems. Fourth, we should grasp the fundamental work of industrial enterprises--examining and checking weights and measures, making original records, keeping accounts, fixing economic and technical quotas, standardizing technology, and strengthening technical and financial management of enterprises. Fifth, we should end deficits and increase profits. We should adopt resolute measures to solve the long-term deficit problems of enterprises according to different cases. 3. We should readjust the production structure, intensify the processing of products, and speed up product updating and upgrading. Next year, we should exert great efforts to change the province's situation in which the industrial structure is irrational, the product varieties remain the same for years, and the products are not competitive. As far as the various industries are concerned, the light, pharmaceutical, machinery, and electronics industries should focus their work on updating and upgrading products and readjusting their product structures. The textile, metallurgical, chemical, and building materials industries should lay emphasis in the intensive progressing of products. As for light and textile industries which require a small investment but yield good profits, we should continue to implement the principle of giving "priority to six fields," pay attention to grasping and speeding up the development of the textile, clothing, pharmaceutical, food, paper-making, hardware, and household electric appliances

industries. In machinery industry, next year under the plan, we should update a number of products, and develop some new products, particularly mining machinery and electric equipment. In the electronics industry, while attending to the production of consumer goods, we should gradually increase the proportion of electronic products which will help in the production of other fields. Next year, we should begin developing and producing subsurface communication electronic products for mining use. In the pharmaceutical industry, we should grasp the production of the three major intermediates of the semi-synthetic antibiotic. Meanwhile, we should strive to find a new way to integrate the production of pharmaceuticals, foodstuffs, and animal feed. In the metallurgical industry, we should pay attention to grasping the construction of the steel-smelting workshop of the Chengde Steel Mill and the transformation projects in the steel-smelting workshops of the Shijiazhuang and Handan Steel Mills. While increasing the output of steel products and rolled steel, we should fully use the favorable conditions that the Handan Steel Mill employs in making pig iron containing a small sulphur and phosphorus content to increase the production of low-alloy steel products, display the superiority of the imported high-speed wire rod rolling machines of Tangshan and Handan Steel Mills, upgrade the quality of medium plates, develop metal products, welded steel pipes, and seamless steel pipes, and increase proportion of steel boards, steel pipes, and steel strips. In the building materials industry, next year, our work should be focused on processing toughened glass, colored glass, hollow glass, laminated glass, electrothermal glass, super-thin glass, and super-thick glass. In the chemical industry, we should pay attention to developing the highly effective compound fertilizer and the intermediates of dyestuff, synthetic materials, paint, animal feed additives, and other fine chemical products. In the textile industry, on the basis of developing chemical fiber, woolen, and silk fabrics and clothing, decorative cloth, and textile products for industrial use, we should gradually end the situation of always having the same varieties of raw materials, speed up the transformation of spinning frames and machines for making broad-width cloth, import shuttleless looms, open end-spinning machines, and the printing and dyeing equipment for making cylinder and plate-fleece cloth [yuan ping wang yin ran she bei 0954 1627 4986 0603 2676 6080 0271], expand the capacity of printing and dyeing a small number of products of various varieties, and develop the multifunction after treatment of calendar finish, electrostatic treatment, embossing, coating, crease-resist finishing, and shrink-resist finishing.

Comrade Ye Liansong said: Next year, we should continue to enliven circulation and expand domestic and foreign trade. 1. We should open our urban and rural doors wide and strive to open up a big market for a commodity economy. We should gear ourselves to the needs of rural areas and the "three norths," serve Beijing and Tianjin, and expand purchasing and marketing. We should also actively organize goods sources within the province, encourage competition, make markets flourish, and ensure supplies. 2. We should give play to the role of state commercial units and cooperatives as major channels. In order to stabilize market prices, state commercial units and cooperatives should do most of the wholesale work, and their retail sales should account for more than a half of the total. Rational commodity storage systems should

be established or improved, and the units which produce seasonal commodities all year round may set different prices in different seasons or for wholesale and retail sales, and may enjoy bank loans on preferential terms. 3. We should accelerate the development of the tertiary industry, and do a good job in withdrawing currency from circulation but not by means of selling commodities. Efforts of the state, the collective, and the individual, of urban and rural areas, and of industrial and agricultural departments should be pooled to greatly develop catering, service, and repair trades. In the meantime, we should pay attention to giving play to the role of banks as a lever in promoting production and enlivening circulation, and invigorate the monetary work. We should actively organize commodity supply, expand foreign trade and export, and earn more foreign exchange.

The scientific and technological structure should be reformed, and technological advancement stimulated. We should comprehensively implement the decision on reforming the scientific and technological structure, strengthen macroeconomic management with the application, development, and research of technology as the major tasks, with promotion of technological advancement and improvement of economic results as the goal, and with the popularization of scientific and technological achievements as an area to make a breakthrough, and do a good job in microeconomic service in order to link scientific and technological research closely to economic construction. According to the 1986 scientific and technological research plan, the major areas are such trades as agriculture, light industry, textile industry, machinery, and electric industry, and chemical industry, and the four spheres of computer technology, biological engineering, new-type materials, and energy technology. A group of major projects to develop technologies, tackle technical difficulties, and popularize and apply scientific and technological achievements has been arranged. We plan to adopt the following measures next year:

1. Reform of the scientific and technological structure will be greatly promoted. We will open up wide technology markets, speed up the circulation of technologies as commodities, and bring in advanced applicable technologies from Beijing and Tianjin through various measures and channels. We will expand the rural technological development service network and offer multifaceted technical service for the readjustment of production setup and the development of the commodity economy. We will gradually change the direct control over projects alone into indirect control by means of formulating principles, policies, and plans for various trades and of strengthening organizational coordination. We will classify the tasks of research for management, and fully perform the functions of prefectures, cities, and relevant departments. We will encourage enterprises to establish technological research organs, continuously increase their ability to absorb technology and to develop by themselves, and will urge them to open their doors wide to actively cooperate with colleges and universities, and scientific research and designing units, to establish technological cooperation relations and scientific research production associations, to put more efforts in developing fist products, and to enhance their ability to compete and cope with problems. We will further grant scientific research units the autonomy they are entitled to receive, continue to enforce the system of signing technological contracts with user organizations that list

remunerations and the contract system for internal research jobs, raise their awareness in serving the needs of economic construction, and gradually improve their level of economic independence. 2. We will make great efforts to organize the popularization and application of the available scientific and technological achievements, and spread and transfer them more speedily. Next year, scientific and technological administrative departments at all levels should regard the popularization and application of advanced applicable technological achievements as an important task of scientific and technical work, and conscientiously attend to it to make it fruitful. They should organize forces to collect and sort out the available achievements, realign them to make them a series, popularize them emphatically in mountainous, plateau, and coastal areas, and in small- and medium-sized enterprises and township enterprises, and make them serve the endeavor to eliminate poverty and achieve affluence, to promote the technical transformation of enterprises and to improve economic results. 3. We will conscientiously implement the "sparkling plan," and exert great efforts to organize personnel to tackle scientific and technical difficulties. We should adhere to the principle of serving the needs of small- and medium-sized enterprises, township enterprises, and rural areas, select a group of advanced technologies which can yield faster results, and pool the forces of various quarters to make breakthroughs in them cooperatively and concentratively.

We should reform the educational system, and improve the quality of education. In developing education next year, we should comprehensively carry out the CPC Central Committee's decision on reforming the educational structure, popularize the 9 year compulsory education in a planned and step-by-step manner, strengthen elementary education, greatly develop teachers' training, restructure the secondary education successfully, and develop vocational and technical education. In higher education, the major points are to upgrade the quality of education, strengthen ideological and political work, and refrain from establishing new institutes. First, we should strengthen elementary education. We should, first of all, make primary school education universal, and pay close attention to the primary and middle school education of mountainous and plateau areas in order to lay a foundation for the popularization of the 9 year compulsory education. Second, we should strengthen the building of the teachers' contingents. We should replenish the existing normal schools with teachers and improve their conditions for running schools. Based on the principle that senior middle school teachers should be trained mainly by the province; junior middle school and key primary school teachers should be trained mainly by prefectures and cities; and primary school teachers and teachers for preschool education should be trained mainly by counties (cities) [shi], we should improve the structure of the normal education, run educational institutes and county-level normal schools well, and organize teachers to attend advanced study classes and renew their knowledge in a planned manner in order to improve their teaching competence. Third, we should speed up the development of vocational middle schools and uphold the principle of training people before they are employed. Fourth, we should strengthen management of adult education.

We should make good arrangements for the people's lives. Following the development of commodity production, the people's living standards in urban and rural areas will show further improvement next year. We should attend to the production of consumer goods and make good arrangements for market supply. Prefectures and counties should pay attention to making proper arrangements for the people's lives in poverty-stricken areas and disaster areas. We should strictly abide by the regulations of the CPC Central Committee and the State Council to control the irrational growth in consumption funds. Culture, art, and press and publication departments should provide the masses with more and better intellectual products to enrich their spiritual life. We should continue to control population growth, develop public health, and sports undertakings, and improve the people's health.

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CSO: 4006/586



ECONOMIC PLANNING

CPPCC ENLARGED STANDING COMMITTEE MEETING HELD

SK150326 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 14 Jan 86

[Text] The 15th enlarged Standing Committee meeting of the 5th Provincial CPPCC Committee opened in Shenyang on 14 January. This meeting will devote 3 days to deeply studying the guidelines of the National Conference of Party Delegates, discussing matters concerning Liaoning Province's economic and social development during the 7th 5-Year Plan period, and offering suggestions and exerting efforts to formulate the province's 7th 5-Year Plan. In addition, the participants will study the speeches of the central leading comrades at a meeting of cadres of the central organs held on 6 January.

Xu Shaofu, chairman of the provincial CPPCC Committee, presided over and addressed the meeting. He said: On 28 December 1985, the provincial CPPCC Committee held a preparatory meeting for this enlarged Standing Committee meeting. Members of the provincial CPPCC Committee in Shenyang and some Standing Committee members staying in other localities were invited to the meeting to hear a report on the outlines of the tentative Liaoning Provincial 7th 5-Year Plan given by Comrade Zhu Jiazhen, member of the Standing Committee of the provincial CPC Committee and vice governor. The meeting also printed and distributed written materials concerning the speeches of Quan Shuren and Zhu Jiazhen to the Standing Committee members. Participants in this enlarged Standing Committee meeting will fully air their views; display the functions of the CPPCC Committee, which is a comprehensive bank of talented personnel; exercise the political consultative and democratic supervisory functions of the committee; and offer suggestions and exert efforts to make Liaoning prosperous.

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ECONOMIC PLANNING

BRIEFS

KEY DEVELOPMENT PROJECTS--The relevant departments of Chongqing City have decided on the key economic development projects for the 7th 5-Year Plan period. These include key technological transformation projects in the (Jiangbei) civil airport, the (Shimen) bridge on Jialing River, the Chongqing ceramics plant, the Chongqing steel and iron plant, the Chongqing speciality steel plant, and the Changshou chemical industrial plant. In addition, the city will stress products jointly produced by several units and on coordination production involving different trades and areas, and will grasp the production of 20 key products which are manufactured independently and can earn more foreign exchange, such as tinned food, cotton cloth, cotton yarn, linen fabrics, and silk products. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 10 Jan 86] /9599

CSO: 4006/588

AGGREGATE ECONOMIC DATA

SHAANXI PRESS BRIEFING ON ECONOMIC RESTRUCTURING IN 1985

HK160957 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 13 Jan 86

[Excerpt] At a press briefing on the afternoon of 13 January, (Zhao Henglun), director of the provincial statistics bureau, 'delightedly' told reporters that the province achieved good results in economic restructuring in 1985 and the current economic situation is gratifying.

He said that according to statistics, the province's grain output in 1985 was 2.05 billion jin, the second highest after that in 1984. The province's oil crops output in 1985 was 200.3 million jin, an all-time high. Despite serious natural disasters in some areas, the province's animal husbandry output value for 1985 was higher than that in 1984. The province's industrial production has developed continuously and the province's industrial output value in 1985 exceeded 1.9 billion yuan. Simultaneous growth has been achieved in output value, profit, tax, and financial income submitted to the state. In 1985 the province completed capital construction projects worth 1.15 billion yuan and spent 230 million yuan in modifying equipment and technological transformation. Both rural and urban markets were brisk and flourishing in the province in 1985. The retail sales volume of social commodities in the province in 1985 amounted to some 1.67 billion yuan, an increase of 20.83 percent over 1984. The average annual wage of staff or workers in the province in 1985 amounted to some 1,609 yuan, an increase of 8 percent over 1984. According to initial statistics from the provincial finance department, local revenue in the province in 1985 amounted to 233.4 million yuan, an increase of 42.7 percent over 1984 and the highest recorded in the past 5 years.

Director (Zhao Henglun) also gave a briefing on how the province carried out the 6th 5-Year Plan. He said that the main targets set in the 6th 5-Year Plan for 1985 were fulfilled or overfulfilled.

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CSO: 4006/588

## AGGREGATE ECONOMIC DATA

### LIVING STANDARDS UP IN INNER MONGOLIAN CITIES

OW181416 Beijing XINHUA in English 1050 GMT 18 Jan 86

[Text] Hohhot, January 18 (XINHUA)--Rapid industrial development has improved the urban living standard in the inner Mongolia autonomous region, according to the INNER MONGOLIA DAILY.

A survey of 900 randomly selected families in 11 cities of the region shows the annual per capita urban income averaged 670 yuan (220 U.S. dollars), up 310 yuan from 1980, the newspaper said.

Urban areas contain 3.3 million of the province's 19.2 million residents.

Overall, the paper said, the region's industrial output value last year totaled 9.4 billion yuan (2.9 billion dollars), an increase of 15 percent over 1984.

Because of the increase in incomes, the report said, many city dwellers have improved their diet, eating food with more protein and vitamins and less fat. At the same time, it said, they have begun buying wool, silk and satin clothes and material and living in more spacious and comfortable houses.

For every 100 families, according to the newspaper, there were at the end of the last year 61 black-and-white televisions (seven times more than in 1980), 52 washing machines (nine times more), 37 cassette recorders (21 times more), 21 color televisions (43 times more), and five electric fans (11 times more).

To meet burgeoning local demand, the region last year produced 50 times the number of cassette recorders--7,500--than it did in 1984, increased production of tv sets 74 percent to 175,000 and washing machines 14 percent to 47,100.

Goods worth 4.3 billion yuan (1.3 billion dollars) were sold in the first 11 months of last year in the region, up 26 percent over the same period in 1984.

This generated 486 million yuan (152.2 million dollars) in revenue for the regional government, the paper reported.

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CSO: 4020/181

AGGREGATE ECONOMIC DATA

BRIEFS

BEIJING SALES BOOM CONTINUES--Beijing, January 15 (XINHUA)--1985 saw a continued retail sales boom in the Chinese capital, with total volume reaching 12.75 billion yuan, 25.3 percent more than in 1984, according to statistics released by the Beijing Municipal Statistical Bureau today. The figure almost doubled that of five years ago. Sales of goods for daily use including consumer durables, which used to be less than those of food, surged to the top of the retail list, with 5.3 billion yuan, 36 percent up from 1984 or 2.6 times that of 1980. In 1985, the city sold 213,100 color television sets and 156,000 refrigerators, 3.8 times and 2.2 times that of 1984, respectively. Increases in the sales of washing machines and cameras were 70.4 percent and 31.9 percent. The makeup, furniture, arts and crafts, and piano and violin businesses also enjoyed a brisk market. The average per capita income in urban areas increased by nearly 30 percent to (?1300) yuan and in rural areas, 12.9 percent to more than 750 yuan. The amount of bank deposits in urban and rural areas reached 5.16 billion yuan at the end of 1985, 1.29 billion yuan more than at the beginning of 1985. [Text] [Beijing XINHUA in English 0907 GMT 15 Jan 86 OW] /12858

CSO: 4020/181

ECONOMIC MANAGEMENT

JINAN SECOND LIGHT INDUSTRY BUREAU ADMINISTRATION SIMPLIFIED

Simplifying Administrative Structure

Beijing RENMIN RIBAO in Chinese 7 Aug 85 p 2

[Article by Jiang Chang [3068 2545]: "We Must Be Serious"]

[Text] The Jinan Municipal Second Light Industry Bureau has unswervingly instituted reform, dissolved eight companies, saved administrative expenses, strengthened basic-level leadership, simplified administrative structure and improved efficiency in work. It is exciting to read this report. We must be serious in instituting reform.

The leadership of some units also talked about simplifying administrative structures and transferring power down to the lower levels. In reality, however, the organizations have become larger though more "simplified" and the number of personnel has increased though the personnel structure has become more "simplified." In some cases, people are made for jobs and in others jobs are created for people. In these units, oftentimes the organization is redundant and overstaffed. Work is impeded and efficiency is low. This situation is brought about by many reasons, some of which come from the higher level, which emphasizes vertical coordination to strengthen forces. In some cases, the local leading organs are full of anxiety and lack decisiveness. They are worried about not being able to make proper arrangements for the department leadership and working personnel who have been cut. In short, while simplifying administrative structure and transferring power to the lower level, they neither want nor dare to be serious.

Many facts have proved that the less daring we are to be serious the less able we are to simplify structure. Only by being serious can we make a big stride in reform. Look! The Jinan Municipal Second Light Industry Bureau dissolved eight administrative companies. Formerly, it had 907 working personnel; 744 have been cut, some of whom have arranged to carry out business and technological development and service work. Others have been sent to consolidate the basic level. Still others have been sent for continuing education in the institutions of higher learning and secondary vocational institutions. Still others have quit in order to rest or have retired. Everyone got what he or she wanted.

From this we can see that we must be serious in simplifying structure and transferring power to the lower level. One rule is to unswervingly remove all obstacles. Another rule is to realistically place personnel who have been cut from the structure and better utilize everyone else.

We hope that more units will be serious and not simply show off in simplifying structure and transferring power to the lower level.

#### Dissolution of Eight Companies

Beijing RENMIN RIBAO in Chinese 7 Aug 85 p 2

[Text] According to a report in the DAZHONG RIBAO, since December last year, the Jinan Municipal Second Light Industry Bureau has dissolved eight administrative companies and merged the two administrative levels of bureau and company into one. The working personnel at the organizations have been reduced from 907 to 163 employees. In the former administrative companies, 744 of the 804 people have been cut, 433 of whom have been transferred to engage in business and technological development and service work, 183 have been sent to consolidate the basic level, 124 have quit in order to rest or have retired, 11 have been sent to continue their education in institutions of higher learning or secondary vocational schools, and 53 have been sent to consolidate the bureau offices and departments. For more than 6 months, four new changes have resulted from this reform:

One, we have reduced the administrative expenses and increased revenue for the state. Every year, the higher level must appropriate over 1 million yuan in administrative expenses for the former eight administrative companies. After simplifying administrative structure, some 300,000 yuan have been saved. Furthermore, after merging and restructuring the former administrative companies into six business and technological development and service companies, 2,994,000 yuan of profits and taxes have been created in the first half of this year alone.

Two, we have consolidated and strengthened the leading bodies of some 30 basic-level enterprises and rapidly changed the outlook of those enterprises which had improper management. Due to improper management, the Jinan Lock-Making General Plant had incurred a deficit of 70,000 yuan by the end of February this year. That month the bureau party committee dispatched the party committee secretary and the deputy manager in charge of technology of the former hardware company to the plant to assume the position of party committee secretary and assistant head of the plant, thereby consolidating the leading body of the plant. Emphasizing such problems as having too large a setup, having failed to implement the responsibility system, and having eaten out of the "same big pot," the new leading body practically and realistically transferred the power to the branch factory and implemented such measures as "different stove" for the branch factory and assumption of profits and losses by the branch factory, thereby effectively mobilizing the enthusiasm of the staff members and workers and rapidly converting deficit to profit for the enterprise.



Three, we have reduced management levels. At the same time, we have transferred the proper decision-making power of the enterprise to the enterprise, thereby arousing the initiative and enthusiasm of the enterprises in opening up and revitalizing themselves and increasing production and profits. For instance, after exercising decision-making power in business, the Jinan Plasticware Factory No 1 established joint operations with more than 30 urban and rural enterprises and set up a plasticware joint development company and a plastic ornaments company. It further expanded its production capacity and sales. Profits realized in the first half of this year increased by 37.9 percent over the corresponding period last year. The profits realized by the entire bureau in the first half of this year registered a 20.1-percent increase over the corresponding period last year.

Four, we have promoted change in organizational workstyle and improved efficiency. Since this year, the bureau leadership has led the office and departmental personnel to penetrate the basic level on 52 occasions to physically resolve 31 practical problems of the enterprises.

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CSO: 4006/877

7 February 1986

## ECONOMIC MANAGEMENT

## PRC STRENGTHENS ECONOMIC LEGISLATION, LEGAL MEASURES

HK150415 Beijing ZHONGGUO XINWEN SHE in Chinese 0838 GMT 13 Jan 86

[Text] Beijing, 13 Jan (ZHONGGUO XINWEN SHE)--The NPC and its Standing Committee, and the State Council's Research Center for Legal Legislation, last year promulgated more than 20 economic laws and items of legislation and submitted more than 30 draft laws and regulations for deliberation and approval. In the 7th 5-Year Plan period, China will formulate more than 130 economic laws and regulations.

So far, China has promulgated 422 laws and regulations, three-fourths of which are economic laws and regulations, including those governing foreign economic contracts, patents, environmental protection, and the management of special commodities.

Improving economic legislation in China has had a good effect on the country's economic life, especially in the field of foreign economic activities. Since 1979, more than 1,890 Chinese-foreign joint ventures with a total investment of d2.8 billion and some 3,400 Chinese-foreign cooperation enterprises with a total investment of more than d7.3 billion have been set up. Foreign businessmen have also set up more and more solely foreign-owned enterprises. So far, 109 foreign companies have established wholly-owned affiliates in China.

More and more enterprises and individuals in China have begun to use legal means to protect their own legitimate economic interests. Now China has set up more than 3,000 economic courts, which handled and settled 151,850 economic cases in the first 9 months last year, or 3.6 times as many as those handled in the previous year. In addition, 28 provinces, municipalities, and autonomous regions in the country have set up research centers for economic legislation or other organs for economic legislation and have set up a total of more than 270 legal consulting offices and law offices. There are more than 2,400 offices of notaries public in all parts of the country. In 1985, more than 57 million law books were printed and distributed.

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CSO: 4006/587

ECONOMIC MANAGEMENT

NEI MONGGOL GOVERNMENT ISSUES CIRCULAR ON COMPANY CONSOLIDATION

SK201338 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 19 Jan 86

[Text] The autonomous regional people's government recently issued a circular urging localities and the departments throughout the region to further check and consolidate their companies.

The circular points out: Along with deeply implementing, during the past few years, the principle with regard to enforcing the open policy to enliven the domestic economy and conducting reforms in economic systems, the majority of companies throughout the region have played an active role in developing or utilizing natural resources, stimulating the economy, making markets prosperous, and rendering services for the people's livelihood. However, some companies have adversely affected the program of further delegating rights to their subordinate enterprises and invigorating them by failing to separate political work from business operations. A few companies have also adversely affected the steady progress of the conducting of reforms in economic systems by taking advantage of the transformation drive to illegally purchase and sell important means of production and commodities in short supply.

The circular stipulates that the activities of checking or consolidating companies will cover those run by the state, by collectives, and by individuals, and those jointly run by both regional and outside units. In particular, the activities will be aimed chiefly at examining or consolidating those under the regional-level departments and bureaus. The major content of the consolidation activities includes earnestly distinguishing among the natures of the companies, strictly examining their business conditions, and conducting consolidation in the fields of company titles, business scope, financial management, tax revenues, and commodity prices. The activities will also strictly prevent the party and government organs and their cadres from engaging in business by opening enterprises. As to those who have remained in business after the issuance of documents of the CPC Central Committee and the State Council and who have not actually quit or ended their business commitments, their organs should impose party or administrative disciplinary sanctions on them and should confiscate their wages and income.

The activities of checking or consolidating companies should be concluded before the end of 1986.

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## ECONOMIC MANAGEMENT

### SHANDONG ACHIEVEMENTS IN REFORMING ENTERPRISE SYSTEM

SK210233 Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Jan 86

[Excerpts] Our province has scored marked achievements in conducting reforms in the leading systems among the enterprises. As of the end of 1985, 2,160 enterprises throughout the province enforced the responsibility system and placed plant chiefs in charge. The sound development of the transformation work has brought about the following changes in the outlook of enterprises:

1. The transformation work has strengthened the managerial system of production and business, brought about the unified leadership of plant chiefs over business and management, simplified the administrative structure and reduced the staff, brought into better play the enthusiasm and creativeness of plant chiefs, and has created a new atmosphere in which the command system is effective, policy decisions have been rapidly adopted, and high efficiency has cropped up in doing things.
2. The transformation work has strengthened the party construction and the ideological and political work among the enterprises.
3. The transformation work has further improved the system of convening congresses of staff members and workers and carried forward the spirit of having staff members and workers be masters of the enterprises, thus, resulting in a shift of the democratic managerial affairs exercised by staff members and workers from stressing the welfare of livelihood to participating in administrative affairs and managerial consultations.
4. The transformation work has accelerated the pace of modernizing the management among the enterprises.
5. The transformation work has enlivened the enterprises and increased their economic results.

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CSO: 4006/587

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## ECONOMIC MANAGEMENT

## SHANGHAI PEOPLE'S CONGRESS MEETING OPENS 27 DECEMBER

OW290118 Shanghai City Service in Mandarin 2300 GMT 27 Dec 85

[Text] The municipal People's Congress Standing Committee opened its 19th meeting on 27 December. The meeting adopted a resolution approving readjustments of Shanghai's 1985 foreign trade exports and output plans of some major industrial products, as well as a resolution approving readjustment of Shanghai's 1985 budget.

Entrusted by the municipal people's government, (Yang Zhihua), vice chairman of the municipal Planning Commission, and Bao Youde, director of the municipal Finance Bureau, respectively gave reports on readjusting some budget targets, revenues, and expenditures. The reports pointed out: The implementation of Shanghai's 1985 economic and social development plan and the 1985 budget has been generally good. The annual gross industrial output is expected to increase by at least 10 percent over last year, exceeding the 8-percent increase set by the Third Session of the Eighth Shanghai Municipal People's Congress. Revenues and expenditures have also increased by fairly large margins. For various reasons, some output plans and the budget need to be readjusted accordingly. The meeting held that such readjustments are necessary and realistic.

The meeting heard a briefing by Bao Youde, head of the municipal Tax, Finance, and Commodity Price General Inspection Office, on the progress of the inspection.

Chairman Hu Lijiao pointed out: The general inspection has, for the most part, proceeded at a normal pace and has received fairly good results in the municipality. However, problems remain. It is hoped that the municipal government will do everything to ensure the success of the inspection.

The meeting examined and adopted the Shanghai municipal regulations on protection of agriculture. It also adopted a resolution on popularizing basic legal knowledge among the residents of Shanghai.

Wang Jian, vice chairman of the municipal People's Congress Standing Committee, gave a briefing on municipal People's Congress deputies' inspection of the work in Shanghai.

Chairman Hu Lijiao presided over the meeting on 27 December. The meeting will continue on 28 December.

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## ECONOMIC MANAGEMENT

### SHAANXI HOLDS MEETING TO BOOST ECONOMIC DEVELOPMENT

HK160455 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 13 Jan 86

[Text] Not long ago, provincial Vice Governor Zhang Boxin held a meeting of responsible persons of more than 20 provincial committees, offices, departments, and bureaus, including the provincial planning committee, the provincial economic committee, the provincial science and technology committee, the provincial light industry department, the provincial coal industry department, and the provincial metallurgical industry department, to specifically study the problem of supporting economic development in southern and northern Shaanxi.

At the meeting the participants held that the method of widespread scattered use of funds should be abandoned. Funds should be concentrated to ensure priority projects. It is necessary to accomplish several things and to achieve practical results. Under same conditions, the departments and trades concerned should develop construction projects in southern and northern Shaanxi as much as possible. It is necessary to give play to southern Shaanxi's superiority in silk, flax, bamboo, lead, mercury, zinc, tin, and gold and northern Shaanxi's superiority in wool, salt, and coal. It is necessary to develop products with local characteristics and to increase production for the domestic market and for export. Southern and northern Shaanxi should also be provided with advanced technology, talented people, and economic informed so as to promote rapid economic development there.

In his speech at the meeting Vice Governor Zhang Boxin pointed out that it is necessary to fully understand the importance of supporting economic development in southern and northern Shaanxi to the whole province. All trades and departments must put this issue high on their agenda and seriously study and solve this problem. It is necessary to earnestly conduct investigation and study and to work out a long-term and medium-term plan for supporting economic development in southern and northern Shaanxi. Attention should be paid to quantitative and qualitative analysis and to feasibility studies so as to attain the target of less cost, more output, and good results.

The vice governor emphatically pointed out that an important thing in supporting economic development in southern and northern Shaanxi is to help train talented people. Such methods as running schools and various training classes and giving on-the-spot lectures should be adopted to upgrade the professional and management level of workers and management personnel and to gradually build a powerful contingent for developing the economy in southern and northern Shaanxi.

ECONOMIC MANAGEMENT

PRC SETS UP TRAINING PROGRAM FOR MANAGERS, PARTY SECRETARIES

HK150349 Beijing CHINA DAILY in English 15 Jan 86 p 1

[By Zhu Ling]

[Text] To improve the country's industries, an ambitious program is being mapped out to train managers and party secretaries of China's larger industrial enterprises in modern methods of administration. The three-year scheme, expected to start in the latter half of this year, will involve training nearly 50,000 people.

In an interview with CHINA DAILY yesterday, Zhang Yanning, deputy minister of the State Economic Commission said that the drive came at a time when the country was working for the full realization of its economic modernization by the end of the 1990s. "The management of the nation's large and medium-sized industrial enterprises is vital to the economic development of the whole country," said Zhang.

These enterprises now number more than 6,300. They yield 47 percent of the country's total industrial output and 66 percent of the state's income from industrial enterprises. There are also nearly 53,000 small industrial enterprises in the country.

In a number of major personnel shake-ups in the larger enterprises since 1982, leading posts have been filled with young, dedicated, dynamic and well-educated people, he said. "But more than 80 percent of the new managers used to be specialized technicians and engineers and they are not very familiar with modern methods of administration," Zhang said. The program aims to reach three targets, according to Zhang. Firstly, to imbue participants with a more profound understanding of the country's policies concerning socialist construction. Secondly to alert them to the latest developments in industrial production and theories and methods of business management. And thirdly to reinforce their ability to organize, lead and make business decisions.

Since September, the State Economic Commission launched five 18-week trial crash courses for 221 managers, senior engineers, finance directors and chief accountants. The deputy minister said the commission would start the second group of trial classes next month and a training course for enterprises' Party secretaries would be added.

Institutions of higher education, including Qinghua University in Beijing and Fudan in Shanghai, are involved in running the courses. "We intend to find out from the trial courses which methods and topics will best suit the nationwide scheme. Then we will draw up specific plans for the training program," Zhang said.

Up to now enterprise managers have been taking part in a national examination scheme to ensure that they have achieved a certain level of managerial skills. The deputy minister said that those examinations for the managers of the country's large and medium-sized industrial enterprises would be completed this year.

Since July 1984, about 15,700 managers and deputy managers of larger enterprises have been examined and 98 percent of them passed the check. Those who failed have had a chance to retake them. Candidates' examination scores are important criteria for promotion.

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CSO: 4020/181

## ECONOMIC MANAGEMENT

### BEIJING INDUSTRIAL WORK CONFERENCE CONCLUDES

SK120025 Beijing BEIJING RIBAO in Chinese 26 Dec 85 p 1

[Excerpts] At the municipal industrial work conference which was ended recently, Vice Mayor Zhang Jianmin called on the staff members and workers on the municipal industrial front to enhance their spirit, to exert themselves, to keep their focus inward, to set strict demands on themselves, to greet the first year for implementing the "Seventh 5-Year Plan" with a brand-new attitude, and to ensure success in the first battle.

One of the major features of this conference was that the participants vigorously commended the advanced and bluntly criticized the backward, thus making those who are lagging behind "break out in a cold sweat." They also urged the enterprises not to compare their present achievements with the past but to compare with the national advanced units of their same trades and professions.

This year the municipality has maintained a good trend of sustained, steady, and coordinated development in its industrial production. Total industrial output value is expected to increase by 10.3 percent over last year. The amount of profits and taxes to be handed over to the state is expected to increase 5.3 percent over last year. All fighting goals set forth in the beginning of the year will be fulfilled. Through vigorously organizing and increasing the production of durable consumer goods that can find a good market, the municipality has succeeded in making the proportion of light industry to the total industrial output value rise from 43.8 percent to 44.5 percent. The product structure is being developed to suit the characteristics of the capital.

While summing up the municipal industrial production work at the conference, the Shoudu Iron and Steel Company, the municipal chemical industrial general company, and the municipal nonferrous metal general company introduced their experiences in strictly running their plants, grasping reform and the work of tapping potentials, overcoming difficulties, and making remarkable achievements. They were commended by the leaders of the municipal Economic Commission.

Comrades attending the conference held that in the coming year, the municipal industrial production front will still encounter a series of difficulties, such as an acute shortage of funds, a shortage of raw materials, a rise in the prices of means of production, and shortages of energy supplies. The key to overcoming difficulties, and doing a good job in industrial production in the first year, the first quarter, and the first month of implementing the "Seventh 5-Year Plan" is to make the leading cadres enhance their spirit and foster a workstyle of doing realistic work. During economic reform leaders of enterprises will have much to do. Therefore, they must concentrate their energies on grasping and improving the work of their own units.

While reviewing and summing up achievements, Vice Mayor Zhang Jianmin called on leading cadres on the municipal industrial front "not to leave their work posts," but to concentrate their main energies on their work, to set strict demands on every level, and to resolutely dismiss from posts those cadres who are not willing to work, who are incompetent, who have not been able to create a new situation for a long time, and who still show no improvements after receiving assistance.

/9738

CSO: 4006/574

7 February 1986

## ECONOMIC MANAGEMENT

## CORRUPT MANAGEMENT AT DASHISHANG COOPERATIVE

Beijing RENMIN RIBAO in Chinese 11 Aug 85 p 2

[Report by Li Hu [2621 5706] and Wang Gengnan [3769 1649 0589]: "Lessons Drawn from the Closing of the Dashishang Supply and Marketing Cooperative"].

[Text] The purpose of reforming the economic system and revitalizing the enterprises is to accelerate the four modernizations, make our country prosperous and benefit the people. Unfortunately, there are people who exploit the reform for private gains, and who indiscriminately embezzle state and collective funds and properties. The closing of the Dashishang Supply and Marketing Cooperative in Feixiang County, Hebei Province, is a typical example.

## I

The Dashishang Supply and Marketing Cooperative only had 29 staff members and workers, 436,000 yuan of floating funds and some 46,000 yuan of fixed assets. Prior to 1982 it was a profit-making unit. After implementing contracting in January 1983, the staff members and workers of 8 of the 12 stores and groups under it practiced corruption and used up public funds. Of the 70,000 yuan of commodities in department stores, over 32,680 yuan were used up by individual staff members and workers--46.6 percent of the entire stock. By the end of August 1984, the actual debt of the entire supply and marketing cooperative totaled 451,700 yuan, while assets totalled only 366,700 yuan.

## II

Some staff members and workers of this supply and marketing cooperative seized opportunities in contracting, reform and their positions and power and adopted the most vicious measures to acquire the property of the state and collective.

From January 1983 to August 1984, a total of over 42,000 yuan of public funds was used up by individual staff members and workers of eight retail stores, branch shops and groups of the supply and marketing cooperatives. After Liu Renliang [0491 0088 5328] and Yang Bingqi [2799 0014 0366] contracted the retail department store, the former brought his wife and sister into the store and made himself the "commanding cashier." Yang Bingqi brought his brother-in-law into the shop while he himself went hither and thither seeking personal

gains. People called him "the foreign minister." In the spring of 1984, under the pretext of procuring goods for the supply and marketing cooperative, Yang Bingqi went south and used public funds to purchase nearly 100,000 yuan worth of merchandise which he personally sold after shipping the merchandise to Handan. He sought exorbitant profits.

In 1 year and 8 months, over 66,740 yuan of public funds of this supply and marketing cooperative were embezzled by individuals. Such individuals as Hao Jinyu [6787 6855 3768], chairman, and Lu Qin [5684 0530], vice chairman, of the supply and marketing cooperative, embezzled 6,600 yuan of public funds.

A rule of the supply and marketing cooperative was "cash exchange and no buying or selling on credit." However, some cadres and workers of this supply and marketing cooperative did not act in accordance with regulations. They opened the back door and sold the marketable commodities on credit to their friends and relatives, with a total amount of some 38,260 yuan in credit. In his own name, Lu Qin selected marketable commodities from the warehouse of the supply and marketing cooperatives and sold them to others, incurring a total amount of some 4,690 yuan of credit for as long as 10 months.

### III

Why did such serious consequences take place after the Dashishang Supply and Marketing Cooperative had implemented contracting? What lessons could we draw from it?

1. Cadres are the key to the reform of an enterprise. If we do not build a good leading body on the basis of the criteria for the four modernizations of the cadres, the system of contracted responsibility will not be effective.

2. Be it large or small, an enterprise must have sound rules and regulations. After implementing economic contracting, this supply and marketing cooperative took a laissez-faire approach and carried out contracting in a careless manner. Consequently, the retail stores and leading groups simply did what they wanted. Some units did not take inventory for 10 months, thus leaving loopholes for those people with ulterior motives.

3. We must not forget about the inspection and supervision of the leading organs at higher levels. We must not feel that since the various levels have contracted work, there is no need to inquire about them. The problem of this supply and marketing cooperative was long known by the county and commune. However, no decisive measures were taken in time to solve the problem.

Recently, the Feixiang County Party Committee and county people's government made decision regarding the following: Dismissal of three chairman and vice chairmen and four staff members and workers of the Dashishang Supply and Marketing Cooperative, with a record of major demerit and serious warning and penalty. The judicial department already arrested two embezzlers.

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CSO: 4006/877



7 February 1986

## ECONOMIC MANAGEMENT

## GUILIN PREFECTURE INVESTIGATES ECONOMIC CRIMES

HK140411 Nanning Guangxi Regional Service In Mandarin 1100 GMT 12 Jan 86

[Excerpt] In the course of party rectification, Guilin Prefectural CPC Committee guards against the phenomenon of vague generalization when exercising leadership. The principal leading comrades of the CPC Committee personally handle the work and assign secretaries to special tasks of seriously handling major economic crimes.

In early November 1985, Guilin Prefectural CPC Committee held a special meeting on reviewing the situation of party rectification in the prefecture and counties. The participants held that the prefecture and counties had made achievements in the recent party rectification. But there were some prominent problems. Generally speaking, the prefecture did not adopt effective measures for investigating and handling major economic crimes. The personnel responsible for investigating the crimes often faced certain interruptions when they carried out their work. Therefore, only 25 percent of the cases were solved and people complained a lot about this.

The prefectural CPC Committee held: If this problem is not to be solved, our party rectification will end in vague generalization or will be carried out superficially. For this reason, after repeated discussion, the prefectural CPC Committee formulated the following resolutions:

First, the party must supervise the party organizations. The principal leading comrades must personally handle the work and assign secretaries to special tasks of seriously handling major economic crimes.

Second, we should build up the manpower for solving cases. The prefectural CPC Committee will form an examination team for handling major cases.

Third, we should introduce a responsibility system for workers responsible for solving cases.

Fourth, we should strengthen our supervision and examination.

Moreover, the prefectural CPC Committee organized workers to guide the work of party rectification in various counties and units directly under the prefectural authorities.

In order to promote the work of solving major cases, principal leaders of Guilin Prefectural CPC Committee personally handled some most typical cases. They promoted the work by giving instructions on key areas and promptly solving them.

## ECONOMIC MANAGEMENT

### BRIEFS

RURAL AND TOWNSHIP ENTERPRISES--Comrade Gu Xiulian wrote an article for the 10 January 1986 issue of "JIANGSU XIANGZHEN QIYE ZASHI" [Jiangsu Rural and Township Enterprises Journal] entitled "Bring the Positive Role of Rural and Township Enterprises Into Still Fuller Play." The article says: Our province's rural and township enterprises have withstood new tests and have continued to develop in 1985, shedding new light on the fact that rural and township enterprises are a positive force in the province's sustained and coordinated economic development. The article says that since Jiangsu's rural and township enterprises have already grown considerably in size and number, the emphasis should now gradually shift from quantitative growth to qualitative and educational enhancement. Improvement in quality, technology, management, social education, and economic benefits should be the goal of the new year. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 14 Jan 86] /9599

ECONOMIC CRIMES--According to HENAN RIBAO, procuratorial organs at all levels in the province have used law as a weapon to hit hard at serious economic crimes. They have put hitting hard at serious economic crimes high on their agenda and have strengthened leadership by transferring competent personnel to deal with economic crimes. They have also done their utmost to remove various obstacles in dealing with important and major cases, recovering some 11.2 million yuan of illicit money. In investigating and dealing with economic cases, procuratorial organs at all levels have cooperated well with grain, industrial, and commercial administrations, and tax departments and have waged a joint struggle achieving good results. The procuratorial organs have also encouraged people to raise suggestions on procuratorial work, plugged loopholes, given publicity to rule by law, and raised courage of the cadres and masses in fighting against economic crimes. [Text] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 14 Jan 86] /9599

TAX, FINANCIAL INSPECTION--The province has scored highly remarkable achievements in the large-scale tax and financial inspection. By the end of last year, the province has verified some 475 million yuan of funds that were in violation of financial discipline. At present, the province has recovered over 196 million yuan or 77.5 percent of the total amount. [figures as heard] The large-scale tax and financial inspection started in late September last year. Party and government departments at various levels transferred more than 30,000 cadres mainly from financial, tax and auditing departments and formed them into some 3,000 mobile inspection teams and special inspection teams. The target of inspection was more than 74,000 enterprises and taxpayers across the province. In the course of

inspection, various localities upheld the method of handling cases while investigating them. In connection with the regulations, they adopted the policy of giving either lenient or harsh treatment as the case warranted. From start to finish, they promptly transferred the funds to the authorities, and regarded this as the focal point of the inspection. [Text]  
[Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Jan 86 HK] /9738

INTER-REGION COOPERATION DEVELOPED--Zengzhou, January 19 (XINHUA)--Authorities in Henan Province are developing inter-regional economic and technical co-operation to make better use of resources, a provincial official said today. Henan enterprises have entered into 3,000 co-operative schemes, said the official at a local economic meeting being held in this provincial capital. Inter-regional economic and technical co-operation, which has been on the increase in China over the past five years, is helping to remove barriers between regions and enterprises and to inject renewed vigor and vitality into the economy. Luoyang prefecture, in western Henan, has established economic and technical ties with 460 enterprises, research institutes and universities in more than 10 other provinces and municipalities, the official said. A 22-enterprise co-operation complex, called the Luoyang Bearing Corporation, has made 14 loss-making enterprises profitable over the past year. An electrical equipment factory in Shanxian County, Luoyang, has developed eight new products over the past year through co-operation with 11 departments outside the province. [Text] [Beijing XINHUA in English 0654 GMT 19 Jan 86 OW] /12858

CSO: 4020/181

INDUSTRY

GUANGDONG PROVINCE BOOSTS TOURIST INDUSTRY

OW151810 Beijing XINHUA in English 1517 GMT 15 Jan 86

[Text] Guangzhou, January 15 (XINHUA)--Guangdong Province has boosted its tourist industry over the past five years, an official of the Provincial Department of Tourism said here today.

More than 15 million tourists entered China via Guangdong last year, triple the 1980 figure.

The Provincial Tourist Industry earned about 1.1 billion yuan last year, 1.5 percent of Guangdong's industrial and agricultural output value and more than ten times the 1980 figure. The official attributed this to China's current open policy.

Guangdong was among the first of China's provinces to adopt flexible policies to attract foreign investment. More than 200 tourism facilities have been installed with 590 million U.S. dollars of foreign investment since 1981. More than two-thirds of the facilities, including the "Swan Hotel" and "China Hotel" in the provincial capital of Guangzhou, have gone into operation adding 46,000 hotel beds, triple the 1980 figure.

Between 1981 and 1985, Guangdong put into service more than 4,000 de luxe automobiles for tourists, accounting for 40 percent of the country's total.

While renovating many scenic spots and tourism areas and improving services, Guangdong has set up 130 travel agencies to meet the needs of the tourism boom.

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CSO: 4020/182

INDUSTRY

STEEL OUTPUT RISES 25.8 PERCENT IN 1981-85 PERIOD

OW151907 Beijing XINHUA in English 1643 GMT 15 Jan 86

[Text] Beijing, January 15 (XINHUA)--China's steel output amounted to 202 million tons during the Sixth "Five-Year Plan" period (1981-1985), and the past three years saw an annual increase of three million tons, said Qi Yuanjing, minister of metallurgical industry.

Speaking at a national metallurgical industry conference that opened here today, Qi said that steel output reached 46.7 million tons last year. He said that while steel output increased by a total of 9.58 million tons over the past five years, the consumption of standard coal was cut by ten million tons. The two figures mean a rise of 25.8 percent in steel output with a total energy consumption increase of only 6.5 percent.

The iron and steel industry has achieved sustained increases in both total output value and profit for four years running, and last year saw a total profit of 13 billion yuan--5.8 billion yuan more than in 1980--said the minister. He attributed these achievements mainly to the technical reform of existing iron and steel plants. Some 19 key state enterprises and 26 local plants doubled their profits in the past five years. Local iron and steel plant output also grew rapidly, the minister said. Their total output topped ten million tons last year, an increase of 12 percent.

In the past five years the annual output of high-efficiency rolled steel went up to seven million tons from 4.18 million tons, and over 6,650 new types of materials were developed by research institutions and enterprises, according to the minister.

In addition, the output of iron ore reached 131 million tons last year, he added.

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CSO: 4020/182

INDUSTRY

PRC'S STEEL INDUSTRY SET TO BEAT TARGET

OW160932 Beijing XINHUA in English 0711 GMT 16 Jan 86

[Text] Beijing, January 16 (XINHUA)--China plans to produce 49 million tons of steel, about 44.8 million tons of iron and 135 million tons of iron ore this year, said Metallurgical Industry Minister Qi Yuanjing here Wednesday.

Addressing a national meeting on iron and steel production which opened here yesterday, the minister said China's steelmakers could boost last year's production figure of 46.7 million tons of steel provided there was an adequate supply of iron ore.

China had great potential for boosting iron production, the minister said. An extra 4.8 million tons of pig iron could be produced each year through more efficient use of furnaces.

In the coming five years, he said, existing steel plants were expected to produce 10 million tons of steel more than the set target for the period.

By 1990, China plans to produce at least 55 million tons of steel, and hoped to top 60 million tons, in addition to 44 million tons of rolled steel. And the industry hoped to make more than 16.5 billion yuan profit.

But half the energy needed to do this would have to be acquired through thrift.

The minister also told the meeting that top development priority in the coming five years would be given to high-efficiency rolled steel, such as low-alloy steel and new varieties needed for the development of energy, transport and the electronics industry.

By 1990, the second stage of construction at the massive Baoshan Iron and Steel complex near Shanghai would be completed, and the second stage of the Panzhihua complex in Sichuan Province would be in full swing.

Technological transformation of large steel enterprises in the next five years would be focused on improving quality, adding varieties and reducing energy consumption.

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CSO: 4020/182

7 February 1986

## INDUSTRY

## PRC TEXTILE OFFICIALS STRESS IMPROVED QUALITY

OWL61020 Beijing XINHUA in English 0745 GMT 16 Jan 86

[Text] Beijing, January 16 (XINHUA)--China's textile industry last year turned out 40 kinds of products which are judged to be up to the advanced international level, bringing the figure in the Sixth Five-Year Plan period (1981-1985) to 272, an official from the textile ministry told XINHUA today.

The 40 include cotton yarn, khaki drill and knitwear such as T-shirts put out by the Shanghai Jinfu Knitwear Mill, stretch jerseys from the Jinan Knitwear Mill and cotton sportswear from the Tianjin Knitted Sportswear Plant. They all won state gold and silver prizes for last year.

During the past few years consumers have been demanding higher quality, and the textile industry has been shifting its emphasis from merely increasing output to producing more varieties to meet market demand. Nine billion yuan (about three billion U.S. dollars) has been invested in the technological upgrading of existing factories during the period, exceeding the amount of investment in new plants.

As the state has twice cut the price of synthetic fiber products in the period, the Ministry of Commerce predicted that this year would witness a still larger volume of purchasing with higher demands on design, variety, style and quality.

Addressing a national meeting on textile production held here last week, Minister of the Textile Industry Wu Wenying urged textile mills to turn out more marketable products while developing new varieties and improving quality.

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CSO: 4020/182



## INDUSTRY

### BRIEFS

NEI MONGGOL BUILDING MATERIAL--The building material industry of Nei Monggol saw a great development during the 6th 5-Year Plan period. By the end of this year, the fixed assets and the output value of the building material enterprises throughout the region are expected to reach 600 million yuan and 500 million yuan, increasing by 100 and 150 percent, respectively, over 1980. [Summary] [Hohhot NEIMENGGU RIBAO in Chinese 6 Dec 85 p 1 SK] /9599

NEI MONGGOL TEXTILE INDUSTRY--Textile industrial enterprises in Nei Monggol Region have overfulfilled the 1985 production target 1 month ahead of schedule. By the end of November 1985 the total regional textile industrial output value amounted to 688.7 million yuan, a 20.98 percent increase over the corresponding period in 1984. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Jan 86 SK] /9599

SHAANXI MACHINE-BUILDING INDUSTRY--During the 6th 5-Year Plan period, the province's machine-building industry scored good results. Great changes have taken place in several aspects. The total output value of the province's machine-building industry for 1985 increased by 83 percent over 1980, and the submitted profits and taxes for 1985 increased by 30 percent over 1980. The province's machine-building industry developed 909 new products during the 6th 5-year Plan period. During the 6th 5-Year Plan period, the Ministry of Machine Building Industry and the provincial authorities arranged 38 priority technological transformation projects, of which 26 have been completed and put into operation. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 7 Jan 86 HK] /9599

YUNNAN DEFENSE INDUSTRY PRODUCTION--During the 6th 5-Year Plan, the national defense science, technology, and industry system in Yunnan actively switched to the production of civilian goods while ensuring military requirements. Output value of the system rose by an annual average of 20.1 percent during the plan, including an annual rise of 21.8 percent for civilian goods. The key civilian goods now being produced by the system include light vehicles, optical instruments, bicycles, refrigerators, television sets, and calculators. Output value of civilian goods accounted for 83.8 percent of total output value of the system last year, compared with 33.7 percent in 1979. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 8 Jan 86 HK] /9599

HUNAN'S BUILDING MATERIALS INDUSTRY--In 1985, the province greatly developed the building materials industry. The number of provincial building materials enterprises was increased by 100, bringing more than 100 million yuan of investment to the industry, more than twice the sum invested in the province by the state in the same period. According to incomplete statistics, in 1985, the province's newly formed building materials enterprises achieved a total output value of 30 million yuan. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Jan 86 HK] /9599

IRON SMELTING INDUSTRY BEGUN--Taiyuan, January 9 (XINHUA)--Peasants in Shanxi Province have started an iron-smelting industry, according to the local SHANXI DAILY. Encouraged by the provincial government, they have built 225 iron-smelting furnaces with a combined production capacity of 1.2 million tons of pig iron a year with locally-raised funds. Construction of another 300 is under way. Shanxi is richly endowed with coal, iron ore and other mineral resources. About 900 iron ore mines, set up by over 50 counties and districts in Shanxi, produce 2 million tons of iron ore a year--enough for these small furnaces. The paper said the appearance of this iron-smelting industry has enabled Shanxi to supply up to 800,000 tons of pig iron to other provinces and regions a year, easing the market shortage of pig iron; make full use of (local) coal resources; employ surplus rural labor; and improve the life of the peasants in the mountainous areas. [Text] [Beijing XINHUA in English 1449 GMT 9 Jan 86 OW] /12858

DECORATION ITEMS PRODUCTION EXCELS--Guangzhou, January 14 (XINHUA)--Guangdong Province in southern China has 184 factories producing quality room decoration materials and products. The province is now able to provide more than 70 percent of its needs for modern buildings, according to a local official. Most interior decoration items used for big hotels, bars and department stores were imported from abroad in the past. The province produces over 3,100 varieties of room decoration products. These include furniture, lamps, household electric appliances, decoration coatings, kitchen utensils, beauty shop equipment, and audio and video equipment. Guangzhou, capital of Guangdong Province, built a production line with a surface treatment capacity of 3,500 tons of aluminum materials at the end of last year. The line is able to provide products in seven different colors, the official said. Guangdong's furniture enjoys high prestige in China. Guangdong furniture accounts for 60 percent of China's total furniture exports. [Text] [Beijing XINHUA in English 1455 GMT 14 Jan 86 OW] /12858

CSO: 4020/182

## CONSTRUCTION

### ANHUI RIBAO REPORTS SMOOTH PROGRESS IN KEY PROJECTS

OW160002 Hefei ANHUI RIBAO in Chinese 28 Dec 85 p 1

[Article by Xu Kejia]

[Text] The construction of 10 key state engineering projects in Anhui is proceeding at a fast pace and with good quality. Thanks to the attention of the provincial party committee and the provincial government and to the introduction of the responsibility system in land acquisition, material supply, construction work arrangement, and public bidding by various departments concerned, an unprecedentedly excellent situation, characterized by fast speed and good quality, has emerged since the beginning of this year in the construction of the 10 projects listed as key state construction projects or state-local key construction projects. They are namely the Huainan mining district, the Huaibei mining district, the Luohe power plant, the Pingyu power plant, the 500,000-volt power transmission line between Huainan and Fanchang, the Ningguo cement plant, the Hefei state synchronous radiation laboratory, the Tongling phosphamidon, the floating production line for the Bengbu plate glass factory, and the Renlou coal mine in Huabei. A total of 26,952 meters of tunnels have been completed in the Huainan and Huaibei mining districts, one of the 10 major coal bases in the country: Following the completion of the Panyi and the Zhuxianzhuang pits, the Linhuan pit, with an annual capacity of 1.8 million metric tons, is under acceptance tests and will be put into production soon. The No. 1 generating unit, with an annual generating capacity of 300,000 kilowatts, has been basically completed at the Luohe power plant. The Huainan-Fanchang section of the 500,000-volt extra-high tension power transmission line between Huainan and Shanghai, which is an auxiliary project for the Luohe power plant, has been completed and is under acceptance testing. The Ningguo cement plant, our province's first modern cement plant with an annual capacity of 1.5 million metric tons, has trial-produced 150,000 metric tons of cement. The rapid pace and good quality in the construction of the Hefei state synchronous radiation laboratory has received favorable evaluations at home and abroad. Preparations for the construction of the Tongling phosphamidon and the floating production line for the Bengbu sheet glass factory have been completed, and some of the auxiliary construction works have been completed. Also, the construction of the main pit of the Renlou coal mine was started ahead of time, and the construction of its auxiliary and wind pits will be started before the end of this year.

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CSO: 4006/591

## CONSTRUCTION

### LOCAL MATERIALS USED IN BUILDING SHANGHAI PLANT

OW151150 Beijing XINHUA in English 1030 GMT 15 Jan 86

[Text] Shanghai, January 15 (XINHUA)--As workers build the second phase of the Baoshan Iron and Steel complex here, Chinese expertise and materials are taking over from foreign imports.

Japanese and federal German experts designed the first phase, which opened in September, a local official said today, while Chinese have designed and are supervising the second.

Moreover, 70 percent of the second phase's equipment will be Chinese--compared to 12 percent of the first, the official said.

The second phase consists of 22 projects, including four coking furnaces, a blast furnace, and hot and cold steel rolling plants.

Once its second phase is completed in 1990, the complex is expected to produce 6.7 million tons of steel, 4.2 million tons of rolled steel and 6.5 million tons of pig iron annually--more than any other Chinese iron and steel facility.

During the second phase, two steel sheet and plate rolling mills will be imported from the Federal Republic of Germany and two continuous casting mills from Japan.

Plans call for the new rolled steel to include sheets and plates ranging from 0.3 to 24.5 millimeters in thickness.

According to the official, these will be used to replace imported sheets and plates in the manufacture of motor vehicles, ships and household electrical appliances.

Over 60 percent of the equipment in these mills will be jointly designed and made or be made entirely by Chinese workers with technology transferred by Japanese and federal German firms, according to the official.

Most of the rest of the equipment used in the second phase will be built in China, the official said. Imports will be restricted to small sets of

equipment for specific processes. In the first phase complete sets of imported equipment were widely used.

After the two steel rolling plants open in 1988 and 1999, officials expect the works to increase its annual production of rolled steel from half a million tons to 4.22 million.

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CSO: 4020/182

CONSTRUCTION

HUBEI COMPLETES CONSTRUCTION OF NO. 2 MOTOR VEHICLE PLANT

HK101404 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 9 Jan 86

[Excerpt] Yesterday afternoon, the State Commission for Examining Projects held a summary meeting at the No. 2 Motor Vehicle Plant, at which the commission announced that the plant was certified as up to standards of the state.

The meeting received congratulatory messages from the State Council, the provincial CPC Committee, the provincial government, the Ministry of Machine-Building Industry, and the China Automotive Industry Corporation on the plant's successful construction and inauguration. They also congratulated all engineers, technicians, workers, and cadres who participated in the project.

The building of China's No. 2 Motor Vehicle Plant has long been the aspiration of the party and state leaders of the older generation. It is also China's largest motor vehicle industry project in terms of investment and scale of operation. The project was started in October 1969. After 16 years, it has now accomplished accumulatively 96.8 percent of the investment sum approved by the state. And 98 percent of its over 21,000 items of plant and more than 500 production lines were designed and produced by China. At present, the plant has an annual production capacity of 85,000 motor vehicles. In some areas, its annual production capacity has reached the level of 10,000. Starting from 1978, the factory has made more than 376,000 motor vehicles with an annual growth rate of 10,000 motor vehicles. Its accumulative profits total 1.68 billion yuan and its profit delivery totals 1.51 billion yuan. It has also brought over \$39 million of foreign exchange to the state. Therefore, it has built in various mountain areas a modern motor vehicles industrial base; and has created a prosperous situation.

The State Commission for examining projects before acceptance acknowledged that the inauguration of the No. 2 motor vehicle plant was another remarkable achievement in China's history of building socialism.

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CSO: 4006/591

## CONSTRUCTION

### BRIEFS

**HENAN BALLBEARING BASE**--The construction of an export base whose annual capacity of 12 million sets of small ballbearing--one of the key projects of the state during the 6th 5-Year period--was recently completed in Luoyang and put into operation. This small ballbearing of superior quality and low noise is mainly used in a washing machine, refrigerator, electric fan, and other domestic electrical appliances. In the past, the state had to spend a large amount of foreign exchange to purchase such ballbearings. At the end of 1982, the state approved the construction of this project. Some 26 million yuan was invested in this project, which was basically completed by October last year. Since the base began production, such ballbearings have been praised by Beijing Bailan-brand washing machine plant and the Guangzhou Wuyang-brand washing machine plant. From 8 to 11 January, the Ministry of Machine-Building Industry organized experts to examine, check, and accept this project in an all-round way and held that the level of production techniques and the measures for inspection are relatively advanced and that the quality has attained the standard of similar products abroad. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 12 Jan 86 HK] /9599

**STEEL PLANT CONSTRUCTION CONTINUES**--Chengdu, January 15 (XINHUA)--The second stage of construction began yesterday at the Panzhihua Iron and Steel Plant at Dukou, Sichuan Province, an official of the State Planning Commission said here. It is one of the major programs in the Seventh Five-Year Plan, which began this year, and when completed will boost the plant's annual output of iron, steel and rolled steel by more than a million tons. The plant has been able to produce 1.7 million tons of steel and 1.5 million tons of iron a year since the first stage of construction was completed in 1974. The new stage includes the building of a blast furnace system, an ingot casting system, a steel-rolling mill and facilities to study the further application of other metals, such as vanadium and titanium magnetite. Zhao Zhongyu, manager of the Panzhihua plant, said: "A fourth blast furnace, to be put into operation in 1989, will be able to produce 830,000 tons of steel a year." The plant also aims to vary its products to include metal plates, sheeting and wire, Zhao said. [Text] [Beijing XINHUA in English 0635 GMT 15 Jan 86 OW] /12858

CSO: 4020/182



DOMESTIC TRADE

TIANJIN COOPERATES WITH OTHER PARTS OF COUNTRY

OW110321 Beijing XINHUA in English 0253 GMT 11 Jan 86

[Text] Tianjin, January 11 (XINHUA)--Tianjin, one of China's major industrial centers, has strengthened economic ties with other parts of the country while opening further to attract foreign trade and investment.

According to the municipal authorities, the city has signed 4,200 economic cooperation contracts with 22 provinces and municipalities. They include 700 joint development projects, 2,500 items of technical cooperation and 930 schemes to train qualified personnel.

Half of the contracts have already been put into effect.

While allowing other provinces and municipalities to set up agencies here, Tianjin has exchanged information with 150 units throughout the country.

Its 30 trade centers and 427 technical consultancy agencies in various parts of the country have helped the city obtain through exchange more than 100 kinds of badly needed materials worth 1.6 billion yuan in the past few years.

The city has sent more than 1,000 experts and technicians to other provinces to give lectures, provide technical consultancy, and helped train 3,000 technicians and 1,200 students.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

LIAOWANG INTERVIEWS DEPUTY FOREIGN TRADE MINISTER

HK130635 Hong Kong LIAOWANG OVERSEAS EDITION No 1 in Chinese 6 Jan 86 pp 11-12

/Wang Pingqing, vice minister of Foreign Economic Relations and Trade, interviewed by LIAOWANG reporter: "New Policies and Measures To Be Adopted for China's Foreign Economic Relations and Trade"/

/Text/ /Question/ Could you please discuss the situation in China's foreign economic relations and trade during the Sixth 5-Year Plan period?

/Answer/ China's foreign economic relations and trade made new developments and attained unprecedented achievements during the "Sixth 5-Year Plan" period. These include import and export, introduction of technology, utilization of foreign capital, foreign aid programs, contracts for foreign projects and overseas employment, as well as various joint economic and technical ventures. It is estimated that the total export-import volume during the Sixth 5-Year Plan period of 1981 to 1985 was twice that of the Fifth 5-Year Plan period. China's share of world export volume increased from 0.92 percent in 1980 to 1.25 percent in 1985, and she rose from 28th place to 16th place in world ranking. At the same time, imported commodities during the "Sixth 5-Year Plan" period underwent new changes. Import of agricultural byproducts such as grains, cotton, edible oil and oil crops was significantly reduced; these commodities have been imported in great quantity for many years. On the other hand, import of materials needed for industrial and agricultural development grew by a big margin.

Introduction of technology during the "Sixth 5-Year Plan" period also began to register major changes. First, its focus shifted gradually from import of complete large-scale equipment to coordination with technical renovation of old enterprises. Second, the forms for introduction of technology have been diversified. Third, the industries engaged in the introduction of technology have been greatly expanded and involved more than 10 areas including machinery, electronics, chemical industry, and textile.

The strategic measure of using foreign capital to accelerate economic development during the "Sixth 5-Year Plan" period gained remarkable success in actual practice. The country's foreign credits and capital were used mainly in the weak links of the national economy, particularly in major construction projects in energy, communications, railways, ports and raw materials. The use of foreign capital not only made up for the shortage of construction capital in the country,

but also helped absorb advanced foreign technology and management experience, thereby playing a positive role in pushing forward the country's economic construction and scientific and technological progress.

Naturally, while we thoroughly assessed the achievements made in developing foreign trade during the "Sixth 5-Year Plan" period, we also clearly took note of the existing difficulties and problems in the present development. For instance, world trade protectionism is growing day by day, competitiveness of China's export products is declining, while the export growth rate is still not ideal; export product composition remains comparatively backward; administrative and management personnel in foreign trade are still inexperienced, and other problems.

/Question/ Please talk on the guiding ideology for developing foreign economic relations and trade during the "Seventh 5-Year Plan" period.

/Answer/ The guiding ideology for developing foreign economic relations and trade during the "Seventh 5-Year Plan" period is: Under the premise of adhering to reform, opening up to outside world and invigorating the economy, and also continuously raising quality and economic efficiency, with focus on strengthening export earning capability and realizing an international balance of payments, it is necessary to positively utilize domestic and foreign capital and resources, open up domestic and foreign markets, and on the basis of the "Sixth 5-Year Plan," further expand the extent of foreign trade, utilization of foreign capital, and introduction of technology as well as of economic and technical cooperation of specific projects with foreign countries. At the same time, it is necessary to build a solid foundation for greater development of foreign economic relations and trade in the next 10 years.

/Question/ What are the targets for total export and import trade volumes under the "Seventh 5-Year Plan"?

/Answer/ During the "Seventh 5-Year Plan" period, based on the principle of independence, equality and mutual benefits, we should further strengthen economic contacts and technical exchanges with all countries of the world, including developed and developing countries, and strive to increase the total export-import volume in 1990 by 40 to 50 percent over that of 1985. At the same time, we should actively expand the scope of utilization of foreign capital and introduction of advanced technology in order to accelerate the pace of our country's socialist modernization. Hence, it is necessary to gradually establish and perfect the different rules and regulations on foreign trade, and through the strengthening of legislation, ensure the orderly conduct of foreign trade.

/Question/ What are the new measures that are to be taken by the Ministry of Foreign Economic Relations and Trade in 1986?

/Answer/ Some new policies and measures will be adopted in 1986 to further develop foreign economic relations and trade. For example, it is necessary to pay close attention to, and do a good job of implementing and setting up an export production system and vigorously enhance export earning capability. In

the export of large quantities of agricultural byproducts, it is necessary to concentrate on major production regions, and select and designate the best areas to create export production bases. As for the export of industrial items including machinery and mineral products, it is necessary to focus on big cities with better industrial foundation, notably coastal cities and major mining areas, and select and designate the most outstanding factories and mines as specialized export-oriented factories and mines. Designated export production bases and specialized factories and mines need not take on state assignment on production for domestic consumption. Instead, they should concentrate all efforts to gradually develop a large number of named brand articles which are good quality, have low production cost, are marketable and are of the latest style, so that they can become the main pillar of China's export earning industry.

In 1986, it is also necessary to strengthen management of foreign trade transportation in order to ensure the completion of foreign trade plans. During the "Seventh 5-Year Plan" period, a number of deepwater berths and docks for container transport, as well as special docks for large quantities of goods and dangerous articles will be constructed. Steps will also be taken in the near future to build some floating docks. The railway transport of fresh and raw products to Hong Kong and Macao will also be vigorously improved.

An important measure to be adopted in 1986 is the strict management of exports to Hong Kong and Macao. From the State Council to the Ministry of Foreign Economic Relations and Trade, it has been decided with firm determination that the problem of "smuggled goods" must be resolved. "Smuggled goods" not only disrupt the marketing channels for China's export commodities, but also smear China's foreign trade reputation and jeopardize the country's interest. We absolutely cannot tolerate the proliferation of "smuggled goods," and will take strong measures to deal with them severely. At present, the Ministry of Foreign Economic Relations and Trade is meeting with concerned departments and commissions from the central authorities to draw up a document on strengthening administration of exports to Hong Kong and Macao. Provisions will cover more than 200 items including the two kinds of yarns (cotton yarn and cotton-polyester cloth), grains, edible oil and fresh and raw items which will be uniformly subject to administration through fixed quota and license grant. Violators will be prosecuted according to the law. At the same time, antismuggling measures and control over foreign exchange will be reinforced.

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CSO: 4006/575

FOREIGN TRADE AND INVESTMENT

XIZANG ECONOMIC INVESTIGATION TEAM LEAVES FOR HONG KONG

HK290407 Lhasa Xizang Regional Service in Mandarin 1130 GMT 28 Dec 85

[Excerpts] The regional CPC Committee, People's Congress Standing Committee, people's government, CPPCC, and military district held a ceremony on the morning of 28 December to bid farewell to the Xizang economic investigation group which is leaving for Hong Kong. Responsible comrades of the party, government, and army including Raidi, Jiang Hongquan, and Peng Zhe attended.

The group is headed by Doje Cering, acting chairman of the regional government. Mao Rubai, chairman of the regional committee for the promotion of external economic relations and trade, is the deputy leader. The group members are responsible persons of economic departments concerned.

Doje Cering spoke at the ceremony. He said: During its stay in Hong Kong, the group will introduce Xizang's economic development situation and strong points in resources to Chinese and foreign financiers, businessmen, and others. It will display various animal and mineral products for sale. The group will also hold talks with sectors concerned of Hong Kong and Macao and of foreign countries regarding economic and technological cooperation, the import of foreign capital, and so on.

Regional CPC Committee Deputy Secretary Raidi also spoke. He said: Foreigners feel Xizang is very mysterious and do not know about it. During its stay in Hong Kong, the investigation group should enable people of all sectors to know more about Xizang's economy, trade, tourism, and so on, to lay a good foundation for launching foreign trade, importing foreign capital, and developing tourism in the region.

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CSO: 4006/583

FOREIGN TRADE AND INVESTMENT

PRC REORGANIZES TRADING COMPANY IN MACAO

HK271200 Hong Kong SOUTH CHINA MORNING POST in English 27 Dec 85 p 8

[Text] Macao: China's trading arm in Macao has been reorganised in an apparent attempt to streamline mainland business in the Portuguese territory.

The 36-year-old Nam Kong Trading Co. will become part of the newly-formed Nam Kong (Group) Co. Ltd., which will be officially launched tomorrow.

The new firm was registered with the Macao Government on August 23, with a registered capital of 20 million patacas (about HK \$20 million).

The chairman of the company's board of directors is Mr Ke Zhengping, who is regarded as China's official representative in Macao. He has headed Nam Kong Trading Co. for the past 36 years.

A special ceremony to be held tomorrow will be attended by the governor of Macao, Rear-Admiral Vasco de Almeida Costa, as well as community leaders.

A vice-minister of the Ministry of Foreign Trade and Economy of China, Mr Jia Shi, will be among the guests.

The new company will handle China's import and export business in Macao and acquire foreign technology and equipment for the mainland.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PUNGAN, PRC'S ZHENG TUOBIN SIGN TRADE PROTOCOL.

AU251919 Bucharest AGERPRES in English 1850 GMT 25 Dec 85

[Text] Beijing (AGERPRES) 25/12/1985--Economic talks took place in Beijing on December 24 and 25 between Vasile Pungan, Romanian minister of Foreign Trade and International Economic Cooperation, and Zheng Tuobin, minister of Foreign Trade and Economic Relations of the People's Republic of China.

The Romanian minister also had working meetings with executives of the Chinese State Planning Council and the State Economic Commission.

The talks with Chinese officials focused on the implementation of the understandings reached and decisions made at top level in Beijing this October in the field of Romanian-Chinese commercial and economic relations, as measures were set meant to contribute to the further development of economic cooperation and goods exchanges.

The foreign trade ministers of the two countries signed the protocol between the Romania and Chinese governments on good exchanges and payments for 1986, which stipulates a substantial growth of the reciprocal goods deliveries as to 1985.

The Romanian minister called on Wan Li, member of the Political Bureau of the CC of the Chinese Communist Party, vice-premier of the State Council of the People's Republic of China.

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CSO: 4020/176



FOREIGN TRADE AND INVESTMENT

BOTSWANA OFFICIAL INSPECTS PRC-AIDED PROJECT

OW091942 Beijing XINHUA in English 1840 GMT 9 Dec 85

[Text] Gaborone, December 9 (XINHUA)--Botswana's Vice-President and Minister of Finance and Development Planning Peter Mmusi today inspected the work site of a railway re-laying project utilizing Chinese technical assistance.

Accompanied on the inspection by Botswana's Minister of Works and Communication Colin W. Blackbeard and Chinese Ambassador Lu Defang, Mmusi showed keen interest in the work of the Chinese experts and Botswana workers.

He told XINHUA later: "I was very impressed by the work done on the railway under the leadership of the Chinese team together with our friends from the Ministry of Works and Communication." He hoped that the local workers would gain considerable experience from their Chinese counterparts.

The 25 million pula project (12 million U.S. dollars) to re-lay 120 kms of rail line between Gaborone and Ramazlabama on the Botswana-South Africa border commenced on July 30 this year and is expected to be completed by July 1987. Twenty kms will be re-layed by the end of this year.

A team of about 40 Chinese engineers, technicians, supervisors, and craftsmen is in Botswana to assist the Department of Railways in carrying out the renewal and upgrading work as part of an economic co-operation agreement between Botswana and China.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

CHEMICALS CORPORATION RANKS FIRST AMONG FOREIGN TRADE COMPANIES

HK070845 Beijing CHINA DAILY in English 7 Jan 86 p 2

[Article by staff reporter Xie Songxin]

[Text] China National Chemicals Import and Export Corporation ranks first among all foreign trade companies in the country, with 1985 earnings of \$10.9 billion.

Addressing a conference of corporation managers yesterday, Zheng Dunxun, president of the company, said \$7.4 billion worth of products were exported last year, chiefly crude oil and petroleum products.

The corporation, Zheng said, imported \$3.5 billion worth of chemical products and raw chemicals.

Import-export earned the corporation 3.8 billion yuan in profits.

In the past 5 years, the corporation earned nearly \$2.95 billion in foreign exchange, a 1.6-fold increase over the 1976-1980 period. Trade volume reached nearly \$4.56 billion, accounting for 20 percent of foreign trade in that sector.

Despite fierce competition in world markets, the corporation has set a \$7.3 billion goal for the next 5 years, according to Zheng.

It forecasts exports of crude oil and petroleum products to increase 6.2 percent per year in the 1986-1990 period and chemical products, 7.1 percent. By 1990, the corporation expects to be exporting \$10 billion worth of chemicals a year.

To aid development of the chemical industry and guarantee exports, the corporation will import raw and accessory materials and equipment for chemical manufacturers, Zheng said.

Last year, the corporation spent \$330 million in foreign exchange to import raw materials for 400 factories. This year, it plans to spend \$450 million.

The corporation will also enlarge barter and entrepot trade channels, Zheng said. Last year, the corporation trans-shipped 900,000 tons of Iranian and Algerian oil and the figure is expected to rise to 2 million tons this year.

The corporation maintains extensive business ties in Southeast Asia and Japan. In coming years, that focus will spread to the Soviet and East European markets, he said.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PRC TEXTILE OFFICIAL PREDICTS GROWTH IN EXPORT VOLUME

HK250406 Beijing CHINA DAILY in English 25 Dec 85 p 1

[Article by staff reporter Zhu Ling]

[Text] China's textile exports will be worth more than \$4.1 billion this year and are expected to increase by 5 to 10 percent next year, CHINA DAILY was told yesterday.

"Our export volume this year will parallel that of last year despite price slumps of textile products on the international market and the rising protectionism in the world's main textile importing countries," said Zhou Yunzhong, vice-president of the China National Textiles Import and Export Corporation (Chinatex).

This year China's textile exports to Hong Kong are expected to be worth \$1.15 billion. Its exports to the United States will amount to \$670 million while its exports to Japan will be \$650 million and the FEC \$330 million.

China will export nearly \$600 million worth of cotton, cotton cloth, and garments to the Soviet Union and Eastern European countries this year, compared with \$380 million last year, Zhou said.

"This will compensate for our export slump of nearly \$200 million in Hong Kong this year which was due to earlier free-wheeling textile sales to Hong Kong from some of our enterprises which caused chaos in the region's market," he said.

The market relations were quickly stabilized after the adoption of new regulations last February, requiring that the country's textile exporters must obtain licenses to ship four products, including cotton yarn and cotton grey cloth, to Hong Kong.

Between 1980 and 1985, Zhou said, China's textile exports are expected to reach a value of \$17.25 billion. Its export volume has increased at an annual rate of more than 10 percent since 1980.

Since then, China's textile imports amount to \$7.6 billion, he said.

Chinatex, the country's top textile trading company, is making a four-pronged effort to further expand the exports of quality products in the coming new year.

The company's plan is to regroup the categories of its export commodities; break into new international markets; launch national bases specialized in producing raw materials and textile goods only for export; and further attract foreign technology and investment to improve finishing in the country's textile industry.

Zhou said that for export in 1986 his company will put emphasis on production of garments and such knitted and manufactured goods as bed sheets, woolen shirts, and towels.

This year, more than 50 percent of China's textile exports were raw materials and such semi-finished goods as, cotton cloth and yarn.

The company will strive for new markets in Latin America, Southeast Asia, and Arab countries. Plans have been made to send sales agents to those areas to promote exports. More than 70 percent of China's textile exports go to Hong Kong, the United States, Japan, and the EEC.

Zhou Yunzhong said the company will start with the establishment of specialized bases to produce cotton and garments.

The initial choices for cotton production bases are Shandong, Hubei, Xinjiang, Henan, and Hebei.

And garment-making centres are expected to be launched in Shanghai, Tianjin, and Qingdao, he said.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PRC TO ADOPT LICENSING SYSTEM FOR EXPORTS TO HONG KONG, MACAO

HK290918 Hong Kong WEN WEI PO in Chinese 28 Dec 85 p 2

["Special Dispatch" from Guangzhou by reporters Lan Ching-chung [5663 7231 0022] and Tan Tan-hui [6223 0030 1979]: "All-Round Licensing System To Be Introduced for Goods Exported From the Interior to Hong Kong and Macao"]

[Text] According to authoritative sources, a licensing system will soon be introduced for all goods exported from the interior to Hong Kong and Macao. This has been approved by the State Council. Once detailed rules and regulations are worked out by the Ministry of Foreign Economic Relations and Trade, the system will be promulgated and put into effect. This will serve as an experiment for instituting the licensing system in an all-round way in China's foreign trade and exports in the future.

After the introduction of the system, commodities will be classified in three groups and exported under three different kinds of licenses, namely, "special export license," "quota export license," and "ordinary export license."

Some 20 kinds of goods which are under the control of a few special foreign trade corporations should be exported under the special license, whereas about 230 kinds of goods are to be exported with quota licenses, and the rest of the commodities are to be classified as the third group which can be exported under ordinary licenses.

It has been learned that the Ministry of Foreign Economic Relations and Trade will allot these quotas to all provinces, cities, autonomous regions, and the cities which are excluded from the state plan in accordance with export plans and the market situation. Quotas to the four special economic zones and the Hainan Administrative Region will be included in the quota total allotted to Guangdong and Fujian Provinces.

Quotas to enterprises engaged in processing raw materials on client demand and compensation trade as well as equity joint ventures will be allotted by the provinces, cities, and autonomous regions where they are according to the scale of their business. However, it has been decided that these enterprises will no longer process two kinds of sand [liang sha 0357 3097], two kinds of cloth [liang bu 0357 1580], and tinned button mushrooms on client demand or in the form of compensation trade. Meanwhile, no agreements should be concluded

with foreign companies on any new licensed commodities for export unless they are approved by the Ministry of Foreign Economic Relations and Trade and licenses are granted.

Commodities which should be exported with special licenses and quota certificates should also be controlled by the authorities at various levels, while the quality must be ensured and their prices must be adjusted in a coordinated way. Licenses for ordinary export goods will be issued by the foreign economic relations and trade departments at the provincial, city, and regional levels after units engaged in exports declare the quantity and amounts in money. Fresh fruits and vegetables and live and frozen goods can still be exported according to the rules and regulations in force.

To coordinate the measures to export all goods with licenses, banks should pay and customs should release goods at the sight of such documents so as to exercise strict control over export goods.

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CSO: 4006/583



FOREIGN TRADE AND INVESTMENT

ANHUI PLANS TO EXPORT MORE GOODS IN 1986

OW11234 Beijing XINHUA in English.1220 GMT 11 Jan 86

[Text] Hefei, January 11 (XINHUA)--Anhui Province plans to export 18.3 percent more goods this year, according to Zhang Guohui, chairman of the Provincial Committee of Foreign Economic Relations and Trade.

By the end of 1990, Zhang said, the total volume of export will be double the 1985 figure of 300 million U.S. dollars.

To ensure this, the province plans to establish 20 bases and designate a number of factories to produce export-oriented goods including tea, quality rice, soybean, rape seeds containing low-percentage of eruci acid, valuable herbal medicine, and coal, machines, cotton yarns, garments, paper, and marbles.

In addition to increasing export goods, Zhang said, the province will import 120 million U.S. dollars-worth of goods this year, up 20 percent over last year; conclude 200 contracts on importing technology; absorb 60 million U.S. dollars of foreign investment this year, up 20.8 percent over last year; and sign contracts on foreign projects and providing labor service, involving 7 million U.S. dollars.

Between 1981 and 1985, Anhui made direct trade contacts with more than 100 countries and regions. It spent 258 million U.S. dollars on importing 492 items of technology and equipment, and built 57 projects with a total foreign investment of 222 million U.S. dollars.

The province sent more than 2,000 people abroad for construction of 12 foreign aid projects over the past 5 years and contracted to build foreign projects and provide labor service in deals involving 4.42 million U.S. dollars.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

INVESTMENT LAW AIMED AT EASING FOREIGN WORRIES

OW141730 Beijing XINHUA in English 1625 GMT 14 Jan 86

[Text] Beijing, January 14 (XINHUA)--Worries foreign businesses might have about investing in China will be relieved by a new draft law, National People's Congress Standing Committee members agreed here today.

In panel discussions during the committee's 14th session, committee members noted that the draft law embodied the spirit of China's policy of opening to the rest of the world and expanding its economic cooperation and technical exchanges with other countries.

Committee member Hong Xixi said he felt sure the draft law on enterprises financed from abroad would be welcomed by foreign investors.

It stipulates that applications from investors will receive replies from Chinese officials within 90 days, and that their legitimate income can be remitted out of the country.

The draft law was submitted for examination and discussion by the committee at its current session which began on Friday.

Detailed regulations for implementing this law is being drafted in which a time limit for such enterprises will be set. Committee members all urged an early completion of the drafting work so that foreign investors will feel assured.

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CSO: 4020/174

FOREIGN TRADE AND INVESTMENT

DIRECTIVES ON JOINT VENTURE REGISTERED CAPITAL REQUIREMENTS

HK020605 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 2 Jan 86 p 3

[Article by Olivia Sin]

[Text] China has issued new guidelines specifying the amount of registered capital required in equity and co-operative joint ventures.

The registered capital (RC) will be put up by both the Chinese entities and foreign investors in the joint ventures.

In an internal directive circulated to various provinces, Chinese officials said the new RC ruling will spell out the level of risks both parties should bear in joint ventures.

"The amount of RC is the total amount of capital contributions from both sides in a joint venture and reflects the level of responsibility of the joint venture to society," it said.

Under the new ruling, both parties in joint venture projects having a total investment of less than U.S. \$3 million will have to put up an RC equal to the total investment.

For bigger projects, where the investment figure is between 3 million and 10 million, the amount of RC should be not less than 3 million and the ratio of RC to total investment is 1:2.

Where the total investment is between 10 million and 30 million, the ratio of RC to investment is 1:3 and the amount of RC should be not less than 5 million.

For projects with an investment figure above 30 million, the RC/investment ratio can be relaxed to 1:4 with the minimum amount of RC fixed at 10 million.

The directive said the new ruling also applies to 100 percent foreign-owned ventures.

It said joint ventures and wholly foreign-owned ventures which fail to comply with the new ruling will have to seek permission to operate from the Ministry of Foreign Economic Relations and Trade.

The directive explained that because of lack of experience, China did not specify the ratio of registered capital to total investment in the implementing regulations for the joint ventures law promulgated in 1983.

Chinese officials are reported to have been perturbed at the meagre amount of registered capital for joint ventures, in some cases amounting to only one-thirteenth of the total investment.

"If the amount of RC is small, the risks born by foreign investors will be minimal and in turn the Chinese side will have to shoulder a higher risk," the directive said.

Trading sources said the new directive is part of China's overall moves to tighten foreign investment rules.

They said the registered capital concept is linked to the reluctance of Chinese entities to grant 100 percent bank loan guarantees to foreign investors.

Chinese leaders felt it was unfair to continue the practice since a 100 percent guarantee will dump all the risk burden of a joint venture onto the Chinese guarantors.

The new RC ruling will also wipe out a significant tax advantage enjoyed by co-operative ventures over equity ventures.

Previously, co-operative ventures were not required to set aside registered capital, which is not eligible for tax deductions.

Under China's tax law, foreign investors will have to bear all the interest costs incurred from the raising of the registered capital.

Before the new RC rule was issued, foreign investors in co-operative ventures could make allowance for the interest payment on their investment in the form of before-tax expenditure.

A legal source said some Chinese officials were demanding a higher level of equity capital a year ago and the new ruling seeks to formalise that requirement.

Some traders said that while it is fair for China to specify an amount of equity capital, the authorities should allow for exceptional cases.

The new ruling is likely to dampen investor interest in smaller projects with total investment below U.S. \$3 million, according to one source.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

PRC, HONG KONG ACCOUNTANTS TO HOLD CONFERENCE ON PRC INVESTMENT

HK200647 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Dec 85 p 9

[Article by Olivia Sin]

[Text] A large-scale conference on investment conditions in China will be staged in Guangzhou next year by the Hong Kong Society of Accountants [HKSA] and their Chinese counterparts.

High-level Chinese officials from the State Council and the State Planning Commission will address the two-day conference featuring a wide range of issues including tax, accounting practices, financing, and foreign exchange problems.

It is the first joint conference held by the HKSA and the Accounting Society of China and is aimed at fostering a better understanding about the different tax and accounting procedures in the territory and mainland.

The increasing cross-border investment and trade activities have brought about a greater need for exchanges between the two professional bodies.

The conference, which starts on February 28, will include key speeches from Chinese officials, academics, and bankers and a workshop for detailed discussion.

The list of Chinese speakers includes the adviser to the Economic Research Centre under the State Council, Prof Xu Yi, a division chief of the State Administration of Exchange Control, Chen Quangeng, the adviser to the General Taxation Bureau, Liu Zhicheng, and the vice-minister of the State Planning Commission, Gan Ziyu.

Hong Kong's financial secretary designate, Mr Piers Jacobs, will speak on the territory's role in China's economic development.

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CSO: 4020/176

FOREIGN TRADE AND INVESTMENT

MILLIONS LOANED SOON FOR DEVELOPMENT OF SHANXI COAL MINE

HK090433 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 9 Jan 86 p 5

[Article by Olivia Sin]

[Text] A syndicated loan in the region of U.S. \$400 million to finance the development of the Pingshuo coal mine in Shanxi may be concluded in 3 months, banking sources said yesterday.

Sources close to the negotiations said the four lead banks hope for an "early conclusion" to the loan agreement.

It has been learned about 25 percent of the syndication will be made up of export credits with the remainder coming from commercial loans.

Despite downward pressure on world coal prices, bankers involved are confident about the viability of the project, which is said to have the backing of China's top leader, Mr Deng Xiaoping.

With a projected annual output of 12 million tons of coal, the Antaibao mine in Pingshuo, Shanxi, will be the world's largest open-cast mine. Production is scheduled to start at the end of 1987.

The project is a joint venture between the U.S.-based Occidental Petroleum Corp. and Chinese groups.

The four lead banks are the Bank of America, the Royal Bank of Canada, Credit Lyonnais, and Industrial Bank of Japan.

Occidental, through its Island Creek Coal subsidiary, has a 25 percent stake in the Shanxi project.

Another 25 percent is held by the Bank of China [BOC] Trust and Consultancy Co., with the remainder shared by China International Trust and Investment Corp. (CITIC) and the China National Coal Development Corp.

Banking sources said the \$400 million will be lent to Occidental and the BOC Trust and Consultancy Corp. which have formed a 50:50 joint venture known as Island Creek China Coal Ltd.

The total cost of the project is estimated at \$650 million and the balance will be found by CITIC and China National Coal.

Banking sources said in view of the complexity and size of the project, there is nothing unusual about taking 9 to 12 months to finalise the financial package.

"Negotiations have been smooth so far...the loan package may be concluded in 1 to 3 months," said a bank source.

Observers, however, suggested the negotiations may take a bit longer because the Antaibao project will provide a precedent for future coal ventures in China.

The country's leaders are anxious to strike a formula which will attract other coal mining joint ventures, helping to solve China's energy shortage.

The banking source said the guarantee for the loan is expected to be provided by shareholders of the Antaibao project and Chinese authorised guarantors.

A large proportion of the output will be exported to generate foreign exchange earnings and part will be used domestically. The percentage planned for export is not known, but some sources put it at about 65 percent.

Exact details of how the coal will be marketed have also not been disclosed, although it is understood the China National Import and Export Corp. has agreed to export the joint venture's output.

Some sources said Occidental has succeeded in reaching agreement with China that would be paid in hard currency even if China fails to find a market for the coal.

Bank sources involved in the loan negotiations agreed there is a "protection" clause included in the joint venture contract to minimise market risks for the foreign investor.

The sources added that coal exported from the Antaibao project will be competing with several world suppliers for markets, notably the Japanese market. The competitors include the United States, Australia, and South Africa.

The banking sources said falling coal prices pose the biggest risk to the project. These hit U.S. \$60 a ton some years ago but have dropped to about \$39 a ton today.

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CSO: 4020/176



FOREIGN TRADE AND INVESTMENT

U.S. FIRM TO EXPAND SHANGHAI EXHIBITION CENTER

OW091647 Beijing XINHUA in English 1629 GMT 9 Jan 86

[Text] Shanghai, January 9 (XINHUA)--An ambitious plan is under way to expand the Shanghai exhibition center into one of the largest in the world, according to an official of the center.

The official told XINHUA that Shanghai has signed a contract with John Portman and Associates Inc., U.S.A., to jointly undertake the expansion project.

The project includes an addition of a group of buildings totalling 180,000 square meters in floor space, including a 50-story and 700-room hotel, two 30-story apartment buildings, exhibition halls, stores, a 1,000-seat theater, and an underground parking lot.

Construction of the buildings will begin in the first quarter of this year and be completed by 1988.

The Russian style exhibition center now has 42 exhibition halls covering a floor space of 62,000 square meters.

Since its opening in 1955, the exhibition center has held more than 400 exhibitions from over 20 countries and regions. It has also displayed achievements in Shanghai's industry since 1959.

A new 700-seat restaurant opened in the exhibition center today in a bid to diversify its services. The restaurant is jointly managed by the Shanghai exhibition center and the Hong Kong China Tourism Investment and Development Co. Ltd.

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CSO: 4020/174

## FOREIGN TRADE AND INVESTMENT

### BRIEFS

HEILONGJIANG EXPANDS TRADE--Harbin, 19 Dec (XINHUA)--Trade between Heilongjiang Province and the Soviet Union and Eastern European countries in 1986 will be 2.7 times the 1985 figure, according to the Provincial Foreign Trade Department. Bilateral trade will soar to 80 million Swiss francs next year from 30 million francs this year, a department official said here. The province resumed its border trade with the Soviet Union 2 years ago. It established trade ties with Poland, Czechoslovakia, the German Democratic Republic, Romania, Hungary, and Yugoslavia this year. It now exports to these countries pork, canned food, thermos bottles, clothing, soybeans, maize, and animal fodder, while importing timber, cement, chemical fertilizers, glass, cars, motorcycles, refrigerators, and equipment. [Text] [Beijing XINHUA in English 1458 GMT 19 Dec 85] /9599

JIANGSU ECONOMIC, TRADE FAIR--Nanjing, 10 Jan (XINHUA)--Jiangsu Province has scheduled its first foreign economic and trade fair in March in its capital city of Nanjing, provincial Vice Governor Zhang Xuwu announced today. Zhang, who is also director of the fair, said the March 1-12 event was designed to promote foreign trade, attract foreign investment, and develop joint economic and technical projects with foreigners. Over 1,000 people from overseas will be invited to the fair, sponsored by the Jiangsu Provincial Foreign Economic Relations and Trade Commission, according to Zhang. Samples of the province's exports will be displayed at the fair, Zhang said. [Text] [Beijing XINHUA in English 1446 GMT 10 Jan 86] /9599

RECORD HIGH COAL EXPORTS--Beijing, 14 Jan (XINHUA)--China exported 7.567 million tons of coal in 1985, an all-time high, according to today's "PEOPLE'S DAILY." Over half of the exported coal was produced in Shanxi and Hebei Provinces, the country's leading coal producers. Last year, Japan was the largest importer of coal from China, followed next by the Democratic People's Republic of Korea. China produced 847 million tons of coal in 1985. By 1990, the figure is expected to exceed one billion tons. [Text] [Beijing XINHUA in English 0646 GMT 14 Jan 86] /9599

ECONOMIC-TRADE DELEGATION TO IRAQ--Beijing, 17 Dec (XINHUA)--A Chinese economic and trade delegation, led by Minister of Communications Qian Yongchang, left here today for Iraq. The delegation will attend the third meeting of the joint committee for Sino-Iraqi trade and economic and technological cooperation and pay a visit to the country. Afterwards, Minister Qian will visit Madagascar. [Text] [Beijing XINHUA in English 0859 GMT 17 Dec 85] /9599

LIAONING FOREIGN TRADE ACHIEVEMENTS--During the implementation period of the Sixth 5-Year Plan, Liaoning Province has made marked progress in foreign trade. The province's total volume of exports during the period has accounted for the one-fifth the total volume of the country and reached \$22.5 billion, an 117 percent increase over the figure of the period of the Fifth 5-Year Plan. The province has increased the number of export companies from 900 in the Fifth 5-Year Plan period to more than 1,200 in the Sixth 5-Year Plan period. At present, the province has trade relations with more than 130 countries and regions around the world. /Summary/ /Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 3 Jan 86 SK/ 12228

SHANXI DEVELOPS ECONOMIC RELATIONS--During the 6th 5-Year Plan period, Shanxi greatly developed external economic relations and trade. Its accumulative export foreign exchange revenue totaled 417 million, or 8.3 times that of the 5th 5-Year Plan. The annual growth rate of investment was 70.1 percent. Furthermore, exports totalled 284 million. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 14 Dec 85 HK] /9599

POTTERY, PORCELAIN EXPORTS REGULATIONS--Beijing, 10 Jan (XINHUA)--China will put the "Regulations on Quality Control for Export Pottery and Porcelain" into force as of 1 February. All pottery and porcelain intended for export will be subject to inspection, and only those meeting the requirements stated in trade agreements or export criteria are permitted to be exported. The regulations state that export manufacturers must produce and inspect pottery and porcelain according to trade agreements and export criteria, and that all uninspected products or those failing to pass inspection will not be allowed to leave the factory. The regulations stipulate that export departments must strictly abide by the requirements stated in trade agreements and export criteria in purchasing or exporting pottery and porcelain on behalf of manufacturers, and should accept shipments and make payment when shipments are accompanied by inspection slips. Products failing to pass inspection must not be purchased or exported. [Excerpt] [Beijing XINHUA Domestic Service in Chinese 1448 GMT 10 Jan 86] /9599

SHANXI BOOSTS EXPORTS--The total volume of Shanxi's exports last year was \$325 million, a rise of 30 percent over the previous year and a new record. /Summary/ /Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 7 Jan 86 HK/ 12228

CSO: 4006/575

SPECIAL ECONOMIC ZONES

KYODO INTERVIEWS SHENZHEN ECONOMIC ZONE'S MAYOR

OW060043 Tokyo KYODO in English 0007 GMT 6 Jan 86

[Text] Shenzhen, China, Jan 6 (KYODO)--The vice mayor of Shenzhen says he is convinced that the special economic zone project under way in the southern China city will succeed.

Manufacturing is the key to development of the city, Vice Mayor Zhen Xipei said in a recent interview with KYODO news service.

The city's service, commerce, and real estate sectors have grown out of balance since the economic development project started as part of China's economic modernization in 1980, according to city officials.

City and government officials met here last month to discuss special economic zones in four coastal cities.

The project is regarded as a major test of the open economic policy pushed by Communist Party elder Deng Xiaoping and other party and government leaders.

Deng said last year that the Shenzhen is an experiment and errors, if committed, can be corrected.

The vice mayor, confident of the future of the project, said, "We have spent 5 years in laying the foundation. In view of what we have accomplished, I'm certain we will succeed."

He said the economic development project has received 1.1 billion dollars in foreign investment in the past 5 years, but that "We are not satisfied with the amount of investment."

He said that China will ask Japan, in addition to Hong Kong and European countries, for loans and investment.

Zhen also said foreign rather than domestic money is to play a more important role in building the economic zone in the city.

Shenzhen has a population of 400,000 but almost half are temporary residents who have moved from other parts of the country as construction workers and engineers.

Another 150,000, including 30,000 from Hong Kong, go in and out of the city every day, according to the vice mayor.

SPECIAL ECONOMIC ZONES

SHENZHEN SEEKS FORMULA TO CONVERT FOREIGN EXCHANGE

HK180704 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Dec 85 p 5.

[Article by Paul Sham]

[Text] The Shenzhen special economic zone is seeking a formula to make currencies in the city "completely and freely convertible" a senior municipal government official said yesterday.

The official, Mr Zou Erkang, told reporters at the opening ceremony of the city's representative office in Hong Kong that the formula is vital to Shenzhen's industrial growth.

He said the proposal to issue the city's own currency, which was mooted 2 years ago and heavily criticised by some Chinese officials is one of many being considered.

The foreign exchange centre, which is in the experimental stage, is just a temporary measure to reduce pressure from business enterprises which want the yuan to be more convertible with foreign currencies and vice-versa, Mr Zou said.

Many enterprises in Shenzhen have complained the stiff foreign exchange ruling has hampered the efficient use of their money and booted activities of the black market.

Mr Zou said the visit to Shenzhen earlier this month of Chen Muhua, the president of the People's Bank of China, was a fact-finding trip aimed at devising the foreign exchange formula and improving the city's banking system.

The issue will be discussed in detail in Beijing, he said.

Bank reform is vital to the city's industrial development as it is closely related to the level of investment and trade, Mr Zou said. The old system cannot meet the needs of the fast mobility of capital, he added.

Mr Zou also said Shenzhen will follow Xiamen's move in setting up a joint venture bank.

The Bank of China, Shenzhen branch, will be the local partner.

Mr Zou said a joint venture bank is necessary as it combines foreign banking expertise with Chinese banking officials' familiarity of the local environment.

As a boost to the city's industrial development, Mr Zou said, 18 industrial ministries under the State Council will set up production plants in Shenzhen.

They include industries involved in mechanics, electronics, armoury, textiles, nuclear, light industry, aerospace, chemical, metallurgical, car, ship-building, food, construction materials, and packaging.

Mr Zou said the ministries will move their export-bound production to Shenzhen, while their home bases will manufacture products for local consumption.

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CSO: 4020/174

SPECIAL ECONOMIC ZONES

SHENZHEN REPORTS 20 PERCENT DROP IN PROPERTY PRICES

HK230408 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 23 Dec 85 p 1

[Article by Paul Sham]

[Text] Property prices in Shenzhen have fallen about 20 percent compared with last year due to slow economic growth in the city, according to sources close to Shenzhen authorities.

They said the Shenzhen government is working on a new land price structure which is expected to be announced early next year.

The sources said as a result of the central government's policy of checking the pace of economic development throughout the country in April, Shenzhen has seen dwindling numbers of foreign investors and traders, resulting in diminishing need for factory sites, hotels, and offices.

A Hong Kong land surveyor, who is active in the China real estate market, told BUSINESS NEWS his company has not done any business in Shenzhen in the past 6 months.

"So long as the government maintains a tight grip on foreign exchange spending, demand for land and property will go down along with the number of new investments in the city," he said.

The surveyor said there is an oversupply of office buildings in Shenzhen.

These buildings, he said, were planned with the estimation the city would be able to sustain the economic growth it had registered last year.

"The bubble has burst now," he said, adding many construction projects have been slowed down or delayed.

One source said because of the property glut, Shenzhen's two famous buildings--International Trading Centre and International Commercial Building--have suffered from low occupancy rates.



Only some floors of the 53-storey International Trading Centre, completed recently, have been let so far.

The source said the International Commercial Building had to turn one of its two blocks into a hotel to fill the vacant space.

The 19-storey Commercial Building was completed in 1982.

The source said even the building's other block is not fully let.

According to a building materials supplier, demand is low even for the city's residential space.

He said the central government's ruling in May last year forbidding home buyers' relatives from other cities in China to move to Shenzhen has kept demand for domestic units down.

Previously, Hong Kong residents could buy flats in Shenzhen and invite their relatives to live in them.

As moving household registration in China is difficult, this practice of purchasing flats was widely used by Hong Kong residents keen to have their relatives move to better off cities like Shenzhen.

However, Mr Lou Jinxing, manager of the Shenzhen Special Economic Zone Real Estate and Properties Co., said demand for land and property in the city is stable.

"The land and apartment prices are the same as last year," he said.

Mr Lou's company is one of the major property firms in Shenzhen.

He said in the past five years his company has developed sites totalling 600,000 sq m and sold or let almost all the buildings.

Mr Lou said the building mix included commercial space, residential flats, hotels, and office towers, production plants, warehouses, and car parks.

He said due to the expected economic growth in the zone, the emphasis next year will be on office buildings.

Three office buildings with a total floor area of 500,000 sq m will be completed next year to meet the expected demand, he said.

However, Mr Lou said the company's investment next year will remain at the same level as this year--400 million.

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CSO: 4020/176

SPECIAL ECONOMIC ZONES

HAINAN COMPANY IN SHENZHEN TURNS LOSSES TO PROFITS

HK110529 Haikou Hainan Island Service in Mandarin 0400 GMT 8 Jan 86

[Text] The (Haipeng) agriculture-industry-commerce joint company, a Hainan company in Shenzhen, has strengthened business management, instituted the economic responsibility contract system, and actively developed the service industry. As a result, it turned losses into profits in 1985.

The (Haipeng) company is the region's sole enterprise in Shenzhen City. The company, set up in October 1982, now employs 360 staff and workers. The company mainly engages in the breeding industry and also in commerce and service industry. Shortly after its establishment, due to poor business management, staff and workers ate out of the same big pot. It made little profit in commerce and suffered losses in the breeding industry. The company loss some 1.24 million yuan in the 2 years after its establishment and was unable to pay wages to its staff and workers. It was thus on the brink of bankruptcy.

The company was taken over by the Hainan agricultural Reclamation Bureau in 1984. The new leading group summed up experiences and drew lessons from the past. It treated perfecting the economic responsibility contract system and raising economic efficiency as the central link for saving the enterprise. It closed three breeding farms which suffered losses for a long time and had no future prospects, and instituted in an all-round way the contract system on a household basis in other breeding farms. Some 72 household farms were set up. The staff and workers have a strong sense of being their own masters. In 1985, the company overfulfilled all the annual targets for the quantity of products, output value, and profits. In addition, the eight shops affiliated to the company invited tenders to contract for them. As a result, they greatly proved their economic efficiency and their net profits for 1985 increased by more than 300 percent over 1984. The company also built the 8-storey Precious Island Hotel, resettled the staff and workers of the units closed, and increased its income.

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CSO: 4006/583

## SPECIAL ECONOMIC ZONES

### SECOND FRENCH BANK ALLOWED TO OPEN BRANCH IN SHENZHEN

HK200711 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Dec 85 p 9

[Article by Olivia Sin]

[Text] Chinese authorities have granted French bank Societe Generale a license to operate branch activities in the Shenzhen special economic zone.

It is the fifth region and the second French bank after Banque Indosuez was allowed to open a branch in the zone.

Observers said the good political relationship between China and France and the willingness of French firms to sell high technology to China are the underlying reasons why more French banks are allowed to operate in Shenzhen.

It is also believed a third French bank may obtain a branch license to operate in the zone next year. This is widely tipped to be Banque Nationale de Paris.

Apart from Banque Indosuez, three other banks which have set up branches in Shenzhen are the Hong Kong and Shanghai Bank, the Bank of Credit and Commerce International, and Standard Chartered Bank.

Societe Generale's deputy general manager (HK) Alain Simon said the bank was notified of the approval to upgrade its Shenzhen office into full branch status on Wednesday.

He said the Shenzhen branch will be operational by February. It will strengthen the banks' presence in China in addition to its offices in Beijing, Shanghai, and Guangzhou.

Mr Simon, who will also be the general manager of the bank's Shenzhen branch, said he expected the bank to play a significant role in financing the Daya Bay nuclear power plant.

A breakthrough in the protracted sales negotiation of the power plant came at the weekend when France and China agreed to sign a contract for the construction of the plant.

Mr Simon said a final contract between French nuclear firm Framatome and China is expected to be signed in March.

"Financial arrangement on the Daya Bay plant is still being worked out," he said.

Switching to Societe Generale's other projects in China, Mr Simon said the bank is arranging a syndicated loan of U.S \$35 million for the building of a Shanghai hotel.

The bank is the lead manager of the syndication which will involve about six other foreign banks.

The bank has also lead managed a 275 million francs (HK \$275 million) syndication to finance the purchase of advanced mining equipment for a Shandong mine.

Mr Simon agreed that the scope of business in Shenzhen is limited, but is confident there will be more opportunities in the future.

He said things are moving rapidly in China and there are chances that other provinces may allow the setting up of foreign bank branches.

Societe Generale, with vast experience in leasing activities, has formed a joint venture leasing company with the Bank of China and Bank of East Asia.

The joint venture, Trilease International, has been active on the China market promoting leasing as a means to import equipment and technology into the country.

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CS0: 4020/176

SPECIAL ECONOMIC ZONES

PRC'S FIRST LASER AUDIOVISUAL DISC SYSTEM FACTORY

HK070757 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in  
English 7 Jan 86 p 1

[Text] A laser audio-visual disc system factory will be set up in Shenzhen  
early this year with an investment of more than \$156 million.

The project, the first of its kind in China, will be partly financed by a club  
loan signed yesterday between the Shenzhen International Trust and Investment  
Corp. and three financial institutions: CCIC Finance, Nederlandsche  
Middenstandsbank NV, and Banque Nationale de Paris, which is also acting as  
agent.

The credit facility totalling U.S. \$17.7 million or its equivalent in Dutch  
guilders, will be granted in two tranches over a period of 5 and 1/2 years.

The first tranche, to be made in the form of a letter of credit, will be used  
to finance the importation of equipment from Philips of the Netherlands.

The balance will serve as a working capital advance.

The factory will be operated by Shenzhen A.S.T. Baser Video Co.

It will initially assemble, and eventually manufacture, audio-visual disc  
systems mainly for domestic consumption, and also for export.

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CSO: 4020/176

SPECIAL ECONOMIC ZONES

HONGQI CARRIES ARTICLE ON SHENZHEN

HK010836 Beijing ZHONGGUO XINWEN SHE in Chinese 1638 GMT 31 Dec 85

/Article: "Li Hao Says Development of the Shenzhen Special Zone Has Entered a New Stage"/

/Text/ Beijing, 31 Dec (ZHONGGUO XINWEN SHE)--In his article carried by HONGQI No 1 of 1986 to be published tomorrow, Li Hao, mayor of Shenzhen City, says that after more than 5 years' construction, the Shenzhen Special Zone has entered a new stage of development.

Li Hao holds that it was correct and essential for the Shenzhen Special Economic Zone to stress the development of tertiary industry, including commerce, tourism, and real estate, during the initial period of its construction. At the same time, he emphasizes in his article, the Shenzhen Special Zone at present should appropriately stress both the development of industries oriented toward the outside world and the establishment of a reasonable setup of production. This is a strategic problem of utter importance to the construction of the Shenzhen Special Zone.

Li Hao points out: In developing the industries oriented toward the outside world, the Shenzhen Special Zone should presently stress the adoption of advanced technologies suitable for the special zone. At the same time, it should raise the levels of handicrafts and management to produce large quantities of goods with competitive prices on the world market.

Li Hao was elected mayor of Shenzhen City in August last year. In his article, he affirms the speed of Shenzhen's development in the past 5 years. He holds that "for a period of time to come, it is essential and beneficial for the Shenzhen Special Zone to strive to consolidate its achievements and improve its work while maintaining a pace of development higher than that in the interior." At present, it is first necessary to arrange well the scale and the growth rate of investment in fixed assets and to do what the special zone is capable of doing. Second, it is necessary to properly control foreign exchange and renminbi credits. Third, efforts should be made in many ways to control and supervise the economic operations of the special zone.

In his article, Li Hao points out: The Shenzhen Special Zone should comply with the state's unified policy while adhering to the special policy for special zones. He says: China's policy of opening to the outside world will not change. Neither will its policy of establishing the special economic zones change. China can only open its door wider and wider.

SPECIAL ECONOMIC ZONES

XIAMEN EXPANDS LABOR SERVICE COOPERATION ABROAD

HK110806 Beijing ZHONGGUO XINWEN SHE in Chinese 0130 GMT 8 Jan 86

/Reprt: "Xiamen makes Rapid Progress in Labor Cooperation with Foreign Countries"/

/Text/ Xiamen, 8 Jan (ZHONGGUO XINWEN SHE)--The business of the Xiamen International Economic and Technological Cooperation Co. in labor cooperation with foreign countries has developed rapidly. Last year, the company sent more than 500 people to work abroad, an increase of more than 100 percent over 1984. Volume of business and foreign exchange net income also increased by 135 and 133 percent, respectively.

At the time when the worldwide shipping business is depressed and the competition in labor market is sharp, the Xiamen International Economic and Technological Cooperation Co. has attached great importance to the professional and technological quality of its personnel sent abroad. The company gave special short-term training to the seamen so that they could skillfully master the techniques, bear hardship, observe discipline, and do a good job of cooperation after they go on board the ships. These seamen are now welcomed by shipowners abroad. Last year, 90 Xiamen seamen were employed by the Wo Heng Co. of the Hong Kong Worldwide Shipping Agency Ltd. Commencing from April last year, the captain and sailors, except a telegraph operator, of the ship "Guangzhou" of the Hong Kong Kin Hing Shipping and Enterprises Co. Ltd. were all seamen employed from Xiamen. So far, 64 Xiamen seamen have held posts at and above "third mate" level in foreign ships and more than 20 seamen have been promoted to the posts of sailors or assist sailors.

In order to meet the needs of the international market, since the latter half of last year, the Xiamen International Economic and Technological Cooperation Co. has expanded its range of business from labor cooperation in providing only seamen to providing for the building trade, providing domestic helpers, and training postgraduates. It has sent another 260 people to work abroad.

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CSO: 4006/575



## SPECIAL ECONOMIC ZONES

### SPECIAL ECONOMIC ZONES TO BOOST EXPORTS

OW061917 Beijing XINHUA in English 1458 GMT 6 Jan 86

[Text] Shenzhen, January 6 (XINHUA)--China's four special economic zones will concentrate on developing exports in the next 5 years, a national meeting which ended here Sunday was told.

The four zones--Shenzhen, Zhuhai, Shantou, and Xiamen--which have been established since 1980 as part of China's effort to attract foreign investment, have so far devoted most efforts to building roads, railways, and other infrastructure.

They have been aided by foreign funds and technology and have received co-operation from other parts of China.

As a result, they have created an attractive investment environment, the meeting on the development of the special zones was told.

The meeting urged the zones to continue developing infrastructure, especially energy, transport, and telecommunications, in the 7th 5-Year Plan (1986-1990).

It also called on the zones to tighten up economic legislation and to train more skilled workers.

State Councillor Gu Mu said the zones should pay great attention to improving quality and efficiency in developing an export-oriented economy.

The four special zones have so far used more than one billion U.S. dollars in foreign funds through joint ventures, co-operative ventures, compensation trade, and other forms of co-operation.

Since 1980, the zones have invested 7.63 billion yuan in capital construction, and passed 10 economic regulations.

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CSO: 4020/176

## SPECIAL ECONOMIC ZONES

### BRIEFS

INDUSTRIAL TOWN'S DEVELOPMENT--Nantou Peninsula, a part of the Shenzhen Special Economic Zone facing Hong Kong's Lau Fau Shan across Hau Hoi Wan (Deep Bay), is expected to be converted into an important satellite and industrial town in 5 years time. Some of the major projects being undertaken are a colour TV manufacturing plant, a deep water berth good enough for 50,000-ton container vessels and oil tankers, a thermal power plant, refinery, railroads, and highways. This was disclosed yesterday by the general manager and deputy managing director, Mr Zhou Kuan, of the Nanhai Oil Shenzhen Development and Service Corp. (NOMDSC) which is said to have been authorised to undertake the development projects. [Excerpt] [Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 20 Dec 85 p 1] /9599

SHENZHEN ELECTRONICS GROUP INAUGURATED--Shenzhen, 7 Jan (XINHUA)--China's first government-owned electronics corporate group is now in operation in Shenzhen, Guangdong Province, which borders on Hong Kong. The Shenzhen Electronics Group, which operates under the Ministry of Electronics Industry, has 117 members at home and abroad. These include 31 in Hong Kong. Overseas members are in Japan, Canada and other countries. The group will combine research with development, manufacturing, marketing, maintenance and trade, according to general manager Ma Fuyuan at an inauguration ceremony yesterday. State Councillor Gu Mu presided over the ceremony. Also present was Xu Jiatun, director of the Hong Kong branch of XINHUA News Agency. The group plans to produce 1.6 billion yuan worth of goods this year, Ma said. /Text/ /Beijing XINHUA in English 1219 GMT 7 Jan 86 OW/ 12228

CSO: 4020/175

LABOR AND WAGES

EMPLOYMENT PROBLEMS OF YOUNG WOMEN DISCUSSED

Hefei ANHUI RIBAO in Chinese 9 Aug 85 p 2

[Article by Deng Zemin [6772 3419 3046], head of the provincial labor bureau: "Pay Attention to Solving the Employment Problems of Young Women"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, Anhui has arranged for the employment of 1.2 million urban young people and unemployed people. This has played an important role in developing the social productive forces, improving living standards, promoting stability and unity in society and propelling the progress of the four modernizations. However, there are still many weak links in our work involving employment. In particular, the difficulties young women face in finding employment must be studied and resolved without delay, or it will become a serious social problem.

In solving this problem, we have adopted the following approaches:

1. We have regarded the system of collective ownership as the primary avenue to resolving employment problems among young people, many of whom are young women. In Anhui's 7-year plan for the 1984-1990 period, we will be able to arrange for the employment of roughly 20 percent of the 1 million urban youth in state-owned units. The remaining 80 percent will be employed by units under the system of collective ownership or become self-employed. Thus, the provincial party committee and the provincial people's government have designated the development of the system of collective ownership and individual enterprise as the primary avenues for the placement of young people. In 1984, 76.5 percent of the 141,000 newly-placed persons throughout the province were placed as a result of the development of collective and individual enterprise, while 23.5 percent were recruited by state-owned enterprises. Among the newly-placed personnel in the collective and individual sector, women constituted 55 percent. Currently, the newly-run collective enterprises which give priority to placing young women are scattered throughout the province. The development of the collective sector has become a primary method for resolving the problem of employment for young women.

2. We have vigorously developed production and service undertakings which are appropriate for young women. First is the garment industry. For instance, the Fuyang City People's Garment Factory currently employs 987 staff members and

workers, 720 of whom are young women. Second is the textile knitting industry. For instance, the Zhenhua Knitting Factory in Hefei City presently has 312 staff members and workers, 221 of whom are young women. Third is the food industry. For instance, the Zhongyuan Canned Food Co, Ltd in Shouxian County currently employs 250 staff members and workers, 190 of whom are young women. Fourth is the electronics industry. The No 2 branch factory of the Hefei Municipal Television General Plant presently has 406 staff members and workers, 250 of whom are young women. Fifth is the plastics industry. For instance, the Shouxian County Plastics Plant presently has 243 staff members and workers, 174 of whom are young women. Sixth is commerce. For instance, the Fuyang Municipal Department Store presently has 231 staff members and workers, 198 of whom are young women. The small shopping mall in Hefei City currently employs 92 staff members and workers, 74 of whom are young women. Seventh is the catering and service trades. For instance, the Xinhua, Qiyuan, Changqing and Renmin hotels and the Jiaotong Restaurant in Chengguan Township in Mengcheng County presently have 116 staff members and workers, 86 of whom are young and middle-aged women, 75 percent of the total. In addition, the various places have also set up many different types of tertiary industries, which employ large numbers of young women.

3. We have vigorously strengthened technical and career training for young women. In accordance with the regulation in the Constitution which states that "the state should conduct the necessary labor employment training for its citizens prior to their employment" and Premier Zhao Ziyang's demand in the "Government Work Report" at the Second Session of the Sixth NPC, we must vigorously carry out career and technical training and create the conditions for the employment of young women. More than 900 career and technical training classes were held throughout the province in 1984, attended by 41,000 unemployed young people, one-third of whom were young women. Various places have organized large numbers of popular career and technical training programs, primarily in tailoring, bookkeeping, kindergarten teaching, typing, cooking, household electrical appliance and machine repair, and arts and handicrafts. Many young women have thus been recruited, which has enabled them to master a skill, while it has trained skilled personnel for an economy under the system of diverse ownership. While emphasizing short-term career and technical training, various places have paid attention to thoroughly reforming the secondary education structure and have worked hard to operate vocational secondary schools well. Attention has been paid to enrolling young women. By the end of 1984, 199 vocational secondary schools (classes) have been set up throughout the province. Of the 19,336 students in the schools, 4,615 were women, 24 percent of the total.

4. In student enrollment and worker recruitment, we have persevered in equal treatment of young men and women. The provincial labor department often reminds its comrades at various levels to fully understand the important role of women in the four modernizations and avoid belittling or discriminating against women in student enrollment and worker recruitment. The provincial labor department also clearly states that we must recruit young women for work that they are capable of performing. To guarantee compliance, we have issued specific enrollment requirements for the school of technicians this year concerning the ratio of mandatory enrollment of young women in various professions. For such professions as textile machine operation, knitting,

weaving and garment processing, the enrollment of women students must not be lower than 80 percent. For 24 professions, including electronic and electrical appliances, machinery processing, food processing, inorganic chemical industry, and plastics, the proportion must not be lower than 50 percent. In some heavy industrial sectors, there are also some jobs which are appropriate for young women. Thus a fixed ratio of women students should also be present. Thus women students will constitute nearly one half of the 10,700 students that the technical schools throughout the province plan to enroll this year, 10 percent and 20 percent higher than 1984 and 1983, respectively. As of 1984, in worker recruitment, we shall change the principle of "recruiting as many young women as possible" for the jobs which they can do to "recruiting young women as a must." While transmitting the plan for worker recruitment to lower levels, we shall specify the ratio between men and women.

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CSO: 4006/897

TAIWAN

ENVOY TO UNITED STATES URGES IMPROVING TRADE RELATIONS

OW080527 Taipei CNA in English 0249 GMT 8 Jan 86

/Text/ Taipei, 7 Jan (CNA)--If the Republic of China /ROC/ wishes to enhance its economic relations with the United States, it should improve its current trade system, continue to promote its "buy-American" policy and introduce into this nation more U.S. high technologies and sophisticated machinery, a ranking official with the Coordination Council for North American Affairs /CCNAA/, said Tuesday.

Fredrick F. Chien, representative of the CCNAA office in Washington, said he believes the ROC-U.S. economic relations will improve if this nation makes more efforts to balance its trade with the United States.

Reporting on the current ROC-U.S. relations at a meeting of the Control Yuan's Committee on Foreign Affairs, Chien said the nation's trade volume with the United States has increased three times since the formal ties between the two nations were suspended 7 years ago. The large trade surplus in favor of the ROC is one of the reasons for the intensified call for trade protectionism in the United States, he said.

To cope with this situation, Chien urged the nation to accelerate the pace of its trade reforms, and continue to walk toward the goals of economic liberalization, internationalization and systematization.

Last year, the U.S. Government announced twice that it would take proper actions to deal with some countries that have violated its foreign trade bill. The ROC was not included on either of the two lists published by the United States, and this indicates that the United States is very optimistic about the future of its trade relations with this nation, Chien said.

On the ROC's membership in the Asian Development Bank, Chien said the U.S. support for the ROC's membership in the Manila-based bank has increased significantly as compared with 3 years ago.

One of the examples of its support is the U.S. Congressional statement that it will approve U.S. financial aids to the bank on the condition that the ROC retains its full membership, he said.

Referring to U.S. arms sales to the ROC, Chien said this nation has incessantly explained to the United States that it needs high-performance weapons to defend itself. So far, the United States has not promised to sell F-20 fighters to this nation probably because the formal production of this aircraft has not begun, he said.

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#### BRIEFS

PROMOTION OF U.S. PRODUCTS--Taipei, 7 Jan (CNA)--Vice Economics Minister Li Mo told six visiting U.S. Congressmen Tuesday that the United States should enhance its promotional activities for American agricultural and industrial products in the Republic of China /ROC/ while the latter is trying its best to narrow the huge trade imbalance between the two nations. The U.S. Congressmen, headed by Edward R. Madigan, R-Illinois, and Charlie Rose, D-North Carolina, called at the Ministry of Economics Affairs and exchanged views with Li Mo on ROC-U.S. trade issues. Li said the American dignitaries told him that the U.S. Congress has been very much concerned about the U.S. trade deficits with the Republic of China and hopes that the ROC will further lower its import tariff rates and increase the purchasing amount and volume of American products, in an effort to narrow the trade imbalance. The vice minister then told the congressmen that in fact, the ROC Government has taken various measures, including the gradual lowering of import tariffs and sending 11 "buy American" missions, to redress the trade imbalance. He told local reporters after the meeting that he has also reminded the visitors that narrowing the trade imbalance cannot be accomplished unilaterally by this country. The United States should also strengthen its promotional activities here so as to effectively solve the problem. /Text/ /Taipei CNA in English 0309 GMT 8 Jan 86 OW/ 12228

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